

UNIVERSITY OF TORONTO



3 1761 00585093 8







Digitized by the Internet Archive  
in 2007 with funding from  
Microsoft Corporation

A

TREATISE

ON

POLITICAL ECONOMY;

OR THE

PRODUCTION, DISTRIBUTION, AND CONSUMPTION

OF

WEALTH.

BY

JEAN-BAPTISTE SAY.

---

TRANSLATED FROM THE FOURTH EDITION OF THE FRENCH

By C. R. PRINSEP, M.A.

WITH NOTES BY THE TRANSLATOR.

---

IN TWO VOLUMES.

VOL. II.

---

LONDON:

PRINTED FOR LONGMAN, HURST, REES, ORME, AND BROWN,  
PATERNOSTER-ROW.

1821.

409222  
27.1.93

REVISED

# POLITICAL ECONOMY

BY JOHN R. MUSGRAVE

REVISED

THE UNIVERSITY OF CHICAGO PRESS

REVISED

1953

UNIVERSITY OF CHICAGO PRESS

Printed by A. and R. Spottiswoode,  
Printers-Street, London.

III

# CONTENTS

OF

## THE SECOND VOLUME.

---

### BOOK II.

#### OF THE DISTRIBUTION OF WEALTH.

CHAP.		Page
I.	Of the basis of value, and of supply and demand - - - -	1
II.	Of the sources of revenue - - - -	21
III.	Of real and relative variation of price -	33
IV.	Of nominal variation of price, and of the peculiar value of bullion and of coin -	52
V.	Of the manner, in which revenue is distributed amongst society - - -	69
VI.	Of what branches of production yield the most liberal recompense to productive agency - - - -	84
VII.	Of the revenue of industry :	
	Sect. 1. Of the profits of industry in general - - - -	91
	2. Of the profits of the man of science	99
	3. Of the profits of the master-agent or adventurer in industry -	101
	4. Of the profits of the operative labourer - - - -	107

CHAP.	Page
VII. Sect. 5. Of the independence accruing to the moderns from the advancement of industry - -	123
VIII. Of the revenue of capital - -	128
Sect. 1. Of loan at interest - -	129
2. Of the profits of capital - -	153
3. Of the employments of capital most beneficial to society - -	160
IX. Of the revenue of land :	
Sect. 1. Of the profit of landed property -	165
2. Of rent - -	177
X. Of the effect of revenue derived by one nation from another - -	184
XI. Of the mode, in which the quantity of the product affects population :	
Sect. 1. Of population, as connected with political economy - -	191
2. Of the influence of the quality of a national product upon the local distribution of the population	211

### BOOK III.

#### OF THE CONSUMPTION OF WEALTH.

I. Of the different kinds of consumption -	221
II. Of the effect of consumption in general -	230
III. Of the effect of productive consumption -	235
IV. Of the effect of unproductive consumption in general - - -	241
V. Of individual consumption, its motives and its effects - - -	252
VI. Of public consumption :	
Sect. 1. Of the nature and general effect of public consumption - -	275



CHAP.		Page
VI.	Sect. 2. Of the principal objects of national expenditure - - -	293
	Of the charge of civil and judicial administration - -	295
	Of charges, military and naval -	304
	Of the charges of public instruction - - -	311
	Of the charges of public benevolent institutions - -	324
	Of the charges of public edifices and works - -	331
VII.	Of the actual contributors to public consumption - - -	336
VIII.	Of taxation :	
	Sect. 1. Of the effect of all kinds of taxation in general - -	341
	2. Of the different modes of assessment, and the classes they press upon respectively - -	372
	3. Of taxation in kind - -	402
	4. Of the territorial or land-tax of England - - -	408
IX.	Of national debt :	
	Sect. 1. Of the contracting of debt by national authority, and of its general effect - - -	411
	2. Of public credit, its basis, and the circumstances that endanger its solidity - - -	421

1. Introduction 17

2. The History of the Church 22

3. The Doctrine of the Church 28

4. The Ministry of the Church 35

5. The Sacraments of the Church 42

6. The Church and the World 48

7. The Church and the Future 55

8. The Church and the State 62

9. The Church and the People 68

10. The Church and the Mission 75

11. The Church and the Unity 82

12. The Church and the Peace 88

13. The Church and the Justice 95

14. The Church and the Love 102

15. The Church and the Hope 108

16. The Church and the Faith 115

17. The Church and the Grace 122

18. The Church and the Mercy 128

19. The Church and the Wisdom 135

20. The Church and the Power 142

21. The Church and the Glory 148

22. The Church and the Kingdom 155

23. The Church and the Eternal Life 162

24. The Church and the Resurrection 168

25. The Church and the Ascension 175

26. The Church and the Pentecost 182

27. The Church and the Church Councils 188

28. The Church and the Church Fathers 195

29. The Church and the Church Documents 202

30. The Church and the Church Traditions 208

31. The Church and the Church Symbols 215

32. The Church and the Church Liturgy 222

33. The Church and the Church Music 228

34. The Church and the Church Art 235

35. The Church and the Church Architecture 242

36. The Church and the Church Gardens 248

37. The Church and the Church Festivals 255

38. The Church and the Church Prayers 262

39. The Church and the Church Fasts 268

40. The Church and the Church Alms 275

41. The Church and the Church Charities 282

42. The Church and the Church Schools 288

43. The Church and the Church Hospitals 295

44. The Church and the Church Prisons 302

45. The Church and the Church Asylums 308

46. The Church and the Church Orphanages 315

47. The Church and the Church Homes 322

48. The Church and the Church Workshops 328

49. The Church and the Church Factories 335

50. The Church and the Church Offices 342

51. The Church and the Church Professions 348

52. The Church and the Church Occupations 355

53. The Church and the Church Industries 362

54. The Church and the Church Commerce 368

55. The Church and the Church Finance 375

56. The Church and the Church Law 382

57. The Church and the Church Politics 388

58. The Church and the Church Socialism 395

59. The Church and the Church Capitalism 402

60. The Church and the Church Communism 408

61. The Church and the Church Fascism 415

62. The Church and the Church Nazism 422

63. The Church and the Church Communism 428

64. The Church and the Church Socialism 435

65. The Church and the Church Capitalism 442

66. The Church and the Church Communism 448

67. The Church and the Church Socialism 455

68. The Church and the Church Capitalism 462

69. The Church and the Church Communism 468

70. The Church and the Church Socialism 475

71. The Church and the Church Capitalism 482

72. The Church and the Church Communism 488

73. The Church and the Church Socialism 495

74. The Church and the Church Capitalism 502

75. The Church and the Church Communism 508

76. The Church and the Church Socialism 515

77. The Church and the Church Capitalism 522

78. The Church and the Church Communism 528

79. The Church and the Church Socialism 535

80. The Church and the Church Capitalism 542

81. The Church and the Church Communism 548

82. The Church and the Church Socialism 555

83. The Church and the Church Capitalism 562

84. The Church and the Church Communism 568

85. The Church and the Church Socialism 575

86. The Church and the Church Capitalism 582

87. The Church and the Church Communism 588

88. The Church and the Church Socialism 595

89. The Church and the Church Capitalism 602

90. The Church and the Church Communism 608

91. The Church and the Church Socialism 615

92. The Church and the Church Capitalism 622

93. The Church and the Church Communism 628

94. The Church and the Church Socialism 635

95. The Church and the Church Capitalism 642

96. The Church and the Church Communism 648

97. The Church and the Church Socialism 655

98. The Church and the Church Capitalism 662

99. The Church and the Church Communism 668

100. The Church and the Church Socialism 675

## BOOK II.

### OF THE DISTRIBUTION OF WEALTH.

---

#### CHAP. I.

##### OF THE BASIS OF VALUE; AND OF SUPPLY AND DEMAND.

THE principal phenomena of production have been investigated in my first book; wherein I have shown, how human industry, with the aid of capital and of natural agents and properties, creates (*a*) every kind of utility, which is the primary source of value; and in what way social institutions and public authority operate to the benefit or the prejudice of production. This second book will be devoted to the consideration of the distribution of wealth: to which end it will be necessary, first, to analyse the nature of value, the object of distribution; secondly, to ascertain the laws, which regulate the distribution of value, when once created, amongst the various members of society, so as to constitute individual revenue. (*b*)

---

(*a*) *Vide suprâ*, vol. i. p. 5. *in notis.* T.

(*b*) In this second book, the first three chapters of former editions have been entirely remodelled in the present (4th) edition, and condensed into two chapters only. In the alterations,

The valuation of an object is nothing more or less, than the affirmation, that it is in a certain degree of comparative estimation with some other specified object; and any other object possessed of value may serve as the point of comparison. A house, for instance, may be valued in corn or in money. To say that it is worth 20,000*fr.* conveys a more accurate notion of its value, than to say that it is worth 1000 *hectolitres* of wheat, solely because the habit of reckoning the value of all commodities in coin makes it easier for the mind to form an idea of the value of 20,000*fr.* in other commodities, that is to say, of the quantity of other commodities obtainable for that sum, than of that obtainable for 1000 *hectol.* of wheat. Yet if wheat be 20 *fr.* the *hectol.*, the degree of value expressed by each is the same.

In every act of valuation, the object valued is the fixed *datum*. In the instance first given, the house is the *datum*: it is a definite amount of materials, put together in a definite manner, upon a

---

terations, our author seems to have been guided principally by the work of Ricardo, which he has himself translated into French. The grand variation is, the admission of difficulty of attainment, to be a constituent part, if not the sole regulator of *relative* value; in which particular he has followed Ricardo and Smith, their common master. In former editions, utility was laid down as the basis; and so it still seems to be, in Book I., with regard to *positive* value. Neither position is correct, for the reasons given *suprà in notis, passim*. Perhaps the complete eradication of this error would require the whole work to be remodelled. T.

definite site. - But the point of comparison is variable in amount, according to the degree of estimation in the mind of the valuer. If valued at 20,000 *fr.* the house is reckoned to be equivalent to so many pieces of silver coin of the weight of 5 *grammes*, with a mixture of  $\frac{1}{10}$  alloy; if at 22,000 *fr.* or 18,000 *fr.* it is but a variation of the quantity of the commodity, that is the specific point of comparison. So likewise, if that point be wheat, the variable quantity of that commodity would express the degree of value.

Valuation is vague and arbitrary, when there is no assurance that it will be generally acquiesced in by others. The owner of the house may reckon it worth 22,000 *fr.* while an indifferent person would value it at no more than 18,000 *fr.*; and probably neither would be right. But if another, or a dozen other persons be willing to give for it a specific amount of other commodities, say 20,000 *fr.* or 1000 *hectol.* of wheat, we may conclude the estimate to be a correct one. A house that will fetch 20,000 *fr.* in the market is worth that sum. \*

\* My brother, *Louis Say*, of Nantes, has attacked this position, in a short tract, entitled, *Principales Causes de la Richesse et de la Misère des Peuples et des Particuliers*, 8vo. Paris. *Déterville*. He lays down the maxim, that objects are items of wealth, solely in respect of their *actual* utility, and not of their *admitted* or *recognized* utility. In the eye of reason, his position is certainly correct; but, in this science, relative value is the only guide. Unless the degree of utility be measured by the scale of comparison, it is left quite indefinite and vague, and, even at the same time and place, at the mercy of individual caprice. The positive nature of value was to be established, before po-

But if one bidder only will give that price, and he is unable to resell it without loss, he will give more than it is worth. The only fair criterion of the value of an object is, the amount of other commodities at large, that can be readily obtained for it in exchange, whenever the owner wishes to part with it; and this, in all commercial dealings, and in all money valuations, is called the *current price*. \*

What is it, then, that determines this current price of commodities?

The want or desire of any particular object depends upon the physical and moral constitution of man, the climate he may live in, the laws, customs, and manners of the particular society, in which he may happen to be enrolled. He has wants, both corporeal and intellectual, social and individual; wants for himself and for his family. His bearskin and rein-deer are articles of the first necessity to the Laplander; whilst their very name is unknown to the *lazzarone* of Naples, who cares for nothing in the world if he get but his meal of ma-

litical economy could pretend to the character of a science, whose province it is to investigate its origin, and the consequences of its existence.

\* In the earlier editions of this work, I had described the measure of value to be the *value* of the other product, that was the point of comparison, which was incorrect. The *quantity* and not the *value* of that other product, is the measure of value in the object of valuation. This mistake gave rise to much ambiguity of demonstration, which the severity of criticism, both fair and unfair, has taught me to correct. *Fas est et ab hoste doceri.*

caroni. In Europe, courts of justice are considered indispensable to the maintenance of social union; whereas the Indian of America, the Tartar, and the Arab, feel no want of such establishments. It is not our business here to enquire, wherein these wants originate; we must take them as existing *data*, and reason upon them accordingly.

Of these wants, some are satisfied by the gratuitous agency of natural objects; as of air, water, or solar light. These may be denominated *natural* wealth, because they are the spontaneous offering of nature; and, as such, mankind is not called upon to earn them by any sacrifice or exertion whatever; for which reason, they are never possessed of exchangeable value.

Other wants there are, that can only be satisfied by the employment of objects possessed of an utility, which they could not have been invested with without some modification by human agency,—without having undergone some change of condition, and without some difficulty having been surmounted for the purpose. Of this kind are the products of agriculture, commerce, and manufacture in all their infinite ramifications. To them alone is any value attached; and for a very obvious reason; because the very act of production implies an act of mutual exchange, in which the producer has given his personal agency for the product obtained by its exertion. Wherefore, he will hardly resign it without receiving what is, in his estimation, an equivalent. These may be called, *social* wealth, both because an act of ex-

change is in itself a social act, and because exclusive property in the product obtained by personal exertion, or by an act of exchange, can only be secured by social institutions. Social wealth, it is to be observed, is the only part of human wealth, that can form the subject of scientific research. 1. Because it is the only part that is the object of human estimation, or at least of such estimation, as is not altogether arbitrary and mental. 2. Because it is the only one which is created, distributed, and destroyed, according to any rules which can be assigned by human science.

The knowledge of the ground-work of the quality, *value*, or rather *exchangeable value*, leads to the perception of its origin. The items of social wealth are invested with value by the necessity of giving something to obtain them; and that something is productive exertion. When once obtained, when this sacrifice has been made in the attainment, the party is really more wealthy; he has wherewithal to satisfy more wants; and, if the object obtained by this sacrifice be unsuited to the personal wants of the owner, he may make use of it for the attainment of some object of personal desire, by the way of exchange for some other product; which other product will itself be the result of similar productive exertion; so that, in fact, the exchange will be a mere mutual transfer of the productive exertion on either side, whereof the two products respectively are the result. When 15 *kilogr.* of wheat are given for 1 *kilogr.* of coffee, there is a mere transfer of the produc-



tive agency exerted in creating the one, for that exerted in the creation of the other. \*

Wherefore, there is a current value or price established for productive service as well as for products. For, if the agency exerted in the creation of 15 *kilogr.* of wheat can obtain as its reward, in the way of exchange, either 15 *kilogr.* of wheat or 1 *kilogr.* of coffee indifferently, what is there to prevent its obtaining in the same way any other equivalent product, say a yard of cotton cloth, 5 yards of ribbon, a dozen plates, or any thing else? Should the 15 *kilogr.* of wheat be exchangeable for a less amount of any of these commodities respectively, the productive agency exerted in the creation of wheat would be proportionately less rewarded, than that exerted in the creation of the specific commodity; and a portion of the former would be attracted to the latter branch of production, until the recompense of labour in each department should find its fair level.

Each class of productive agency has a current

\* It is scarcely necessary to mention, that when commodities are exchanged, not for one another, but for money, the case is no-wise varied. No seller ever takes money for his own consumption, or for any other purpose, than as an object of a second exchange; so that, in reality, the product sold is exchanged for the product bought with the price. When 15 *kilogr.* of wheat have been sold for 4 *fr.*, and 1 *kilogr.* of coffee bought with that 4 *fr.*, the wheat has actually been bartered for the coffee, and the money that has intervened has withdrawn itself as completely, as if it had never appeared at all in the transaction. Wherefore it is quite correct to say, that relative value is determined by the relation of commodities one to another, and not solely by that of each commodity to money.

price peculiar to itself. If the productive agency exerted in the production of 15 *kilogr.* of wheat can obtain for itself but  $\frac{1}{15}$ th of its own product, it will be entitled to no more than  $\frac{1}{15}$  of the value of any other product obtainable by exchange for that quantity of wheat; for instance, to  $\frac{1}{15}$  of 4 *fr.*, and so of other products.

Thus it is obvious, that the current value of productive exertion is founded upon the value of an infinity of products compared one with another\*; that the value of products is not founded upon that of productive agency, as some authors have erroneously affirmed†; and that, since the desire of an object, and consequently its value, originates in its utility, it is the ability to create the utility wherein originates that desire, that gives value to productive agency; which value is proportionate to the importance of its co-operation in the business of production, and forms, in respect to each product individually, what is called, the cost of its production.

The utility of a product is not confined to one human being, but applies to a whole class of society at the least, as in the case of particular articles of clothing; or to a whole community, as in

\* It must not be inferred from this passage, that I mean to say, that the productive agency exerted in raising a product, whose charges of production have amounted to 4 *fr.*, although it is saleable for 3 *fr.* only, is therefore worth but 3 *fr.* My position merely implies, that this amount of productive service has, in such case, raised a value of 3 *fr.* only, though it might have raised a value of 4 *fr.*

† Ricardo, *Prin. of Pol. Econ. and Taxation.*

that of most of the articles of food that are adapted to human consumption in general, without distinction of sex or age. For this reason, the demand for a specific object, or product, or act of productive exertion, has a certain degree of extent. The aggregate demand for sugar in France is said to exceed 500,000 *quintals* per annum. Even the individual demand of a specific product for individual consumption may be more or less urgent. Whatever be its intensity, it may be called by the general name of demand; and the quantity attainable at a given time, and ready for the satisfaction of those who are in want of the specific article, may be called the supply or amount in circulation.

But this must be understood with some limitation; for there is no object of pleasure or utility, whereof the mere desire may not be unlimited, since every body is always ready to receive whatever can contribute to his benefit or gratification. There must, therefore, be some bounds to demand; and the most effectual limitation is, the ability to give some other equivalent product for the object of desire. All the porters in a commercial city might desire to have a coach and six for the more comfortable execution of their business, without raising the price of horses and carriages a tittle. The objects, which each individual has to give as an equivalent for the object of his desire, are no other than the products of his own productive means, which are limited even in the case of the most wealthy member of society.

Wealth is, in all countries, distributed in every

degree of gradation, from the populous level of mediocrity to the solitary pinnacle of extreme affluence. Accordingly, the products most generally desirable are really demanded by a limited number only, because they alone have wherewithal to obtain them; and even their ability may be more or less according to circumstances. Whence it may be further concluded, that the same product or products may be in greater demand at a lower scale of price, and when attainable by less productive exertion, although nowise increased in utility, merely because accessible to a greater number of consumers; and, on the contrary, less in demand at a higher scale of price, because accessible to a smaller number.

Suppose that, in a severe winter, a method should be hit upon of manufacturing knit-waist-coats of woollen at 6 *fr.* apiece; probably all who should have 6 *fr.* left, after satisfying more urgent wants, would provide themselves with these waist-coats: but those who should have but 5 *fr.* left must still go without. If the same article could be produced at 5 *fr.* these latter also might all be provided and become consumers; and the consumption would be still further extended, if they should be produced at 4 *fr.* only. In this manner, products formerly within reach of the rich alone have been made accessible to almost every class of society, as in the case of stockings.

When a product is raised in price, whether by taxation or otherwise howsoever, the contrary effect is experienced; the number of its consumers

is reduced; for it can only be obtained by such, as can afford to pay for it; and the ability to purchase is not increased by the same causes, that operate to raise the price. Thus in England, the great majority of the population is wholly precluded from the consumption of vinous liquors, and of many other articles; for their attainment involves so large a sacrifice of products, or of productive agency, that those only can attempt it, who have a great deal of either to spare. In such cases, not only is the number of consumers diminished, but the consumption of each consumer is reduced also. Though a consumer of coffee may not be compelled, by a rise of its price, to relinquish that beverage altogether, he must at all events curtail the amount of his consumption; which is then like that of two individuals, of whom one discontinues, and the other remains able and willing to continue the use of the article.

In commercial speculation, as the purchaser does not buy for his own consumption, he proportions his purchases to what he expects to sell. Since, then, the quantity he can sell depends upon the price he can afford to sell at, he will buy less according as the price rises, and more according as it falls.

In poor countries, objects of even the commonest use, and of inferior price, frequently exceed the means of a great proportion of the population. There are countries, where shoes, though cheap, are out of reach of most of the inhabitants. The price of this commodity does not fall to a level

with the means of the people ; because that level is still below the bare cost of production. But, shoes of leather not being absolutely necessary to existence, those who are unable to procure these, wear wooden ones, (*sabots*,) or go barefoot. When this is unhappily the case with an article of primary necessity, part of the population must perish, or at least cease to regenerate. These are the causes of a general nature, that limit the demand for each product, and for all products in general.

In respect to supply, it consists of the whole of any commodity, which the owners for the time being are disposed to part with for an equivalent, in other words, to sell at the current rate ; and not merely of what is actually on sale at the time. The whole of this is also called the circulating or floating stock. Yet, strictly speaking, no commodity is in circulation, except during the act of transit from the seller to the purchaser, which is almost instantaneous. But the bare act of transit has no influence on the terms of the bargain, to which it is commonly subsequent ; it is a mere matter of executive detail. The point of real importance is, the inclination of the owner to part with the object of property. A commodity is in circulation, whenever it is in quest of a purchaser, which it may be in the most urgent need of, without altering its locality in the least. Thus, the stock in a shop or warehouse is in circulation ; thus too, lands, rent-charges, houses, and the like, are said to be in circulation ; and the expression

is intelligible enough. Even industry is sometimes in circulation and sometimes not, according as it is either in quest of employment, or already employed.

For the same reason, an object ceases to be in circulation, the moment it is set apart, either for consumption or for export to another market, or accidentally destroyed, or withdrawn by the caprice of its owner, or held back at a price, which amounts to a refusal to sell.

Inasmuch as supply consists of those commodities only, which are to be had at the current price or ordinary rate of the market, a commodity, raised by the cost of production above that level, will cease to be produced, or to form part of the supply. Wherefore, the supply will be more abundant, when the current price is high, and more scanty when that price has declined. (c)

Besides these universal and permanent limitations of supply and demand, there are others of a casual and transient nature, which always operate concurrently with the former.

The prospect of an abundant vintage will lower the price of all the wine on hand, even before a single pipe of the expected vintage has been

---

(c) This is not very clearly expressed. Our author's meaning probably is, that the supply is abundant, in proportion as the current price rewards the productive agency exerted in bringing the article to market. On his own principles, the supply of those articles is most abundant, which require the smallest degree of productive exertion, and therefore are the cheapest. In this sense only is the position correct. T.

brought to market ; for the supply is brisker, and the sale duller, in consequence of the anticipation. The dealers are anxious to dispose of their stock in hand, in fear of the competition of the new vintage ; while the consumers, on the other hand, retard their fresh purchases, in the expectation of gaining in price by the delay. A large arrival and immediate sale of foreign articles all at once, lowers their price, by the relative excess of supply above demand. On the contrary, the expectation of a bad vintage, or the loss of many cargoes on the voyage, will raise prices above the cost of production. (*d*)

---

(*d*) Here again the expression is inaccurate, and must be understood of the price of each separate portion of the gross article, not of the gross price of the whole ; for, when the price is raised, the demand is reduced, the desire of enjoyment being repressed by the superior difficulty of individual attainment, though probably the whole article has cost an equal amount of productive exertion to the community, as in the case put above, of losses on the voyage. Thus, when wine is dear, the total sum expended on its consumption will probably be smaller than when it is cheap, although the human labour expended in raising the smaller, may have been equal to that, which would have been expended in raising the larger quantity ; and this upon our author's own principles. There is but one exception to this rule ; viz. the case of articles of aliment of the first necessity. A small redundance or deficiency in the supply of these will make a great difference in the relative price of the whole commodity : why ? because the appetite or desire of enjoyment cannot be contracted or expanded with equal rapidity as the amount of the supply, or the difficulty of individual or national attainment. This has been noticed by our author, *suprà*, Book I. c. 17. s. 4. T.



Moreover, there are some particular products, which nature or human institutions have subjected to monopoly, and thus prevented from being supplied in equal abundance with those of a similar description. Of this kind are the wines of particular and celebrated vineyards, the soil of which cannot be extended by the extended demand. So the postage of letters is, in most countries, charged at a monopoly-price.

Finally, whatever be the general or particular causes, that operate to determine the relative intensity of supply and demand, it is that intensity, which is the groundwork of price on every act of exchange; for price, it will be remembered, is merely the current value estimated in money. The demand for all objects of pleasure, or utility, would be unlimited, did not the difficulty of acquirement, or price, limit and circumscribe the supply. On the other hand, the supply would be infinite, were it not restricted by the same circumstance, the price, or difficulty of acquirement: for there can be no doubt, that whatever is producible would then be produced in unlimited quantity, so long as it could find purchasers at any price at all.<sup>(e)</sup> Demand and supply are the opposite extremes of the beam, whence depend the scales of dearness and cheapness; the price is the point of equilibrium, where the momentum of the one ceases, and that of the other begins.

---

(e) Which it could not, but for the presence of both utility and difficulty of attainment. T.

This is the meaning of the assertion, that, at a given time and place, the price of a commodity rises in proportion to the increase of the demand and the decrease of the supply, and *vice versâ*; or in other words, that the rise of price is in direct ratio to the demand, and inverse ratio to the supply.

The utility of an object, or, what is the same thing, the desire to obtain it, may possibly be unable to raise its price to a level with its cost of production. In this case it is not produced, because its production would cost more than the product would be worth. Probably the price that *caviar*\* would fetch at Paris would hardly equal the charge of producing it there; for it is so little in request there, that it scarcely would bring the lowest price it could be procured for, and consequently it is not produced; but elsewhere, it is both produced and consumed in great quantities.

When the price of any object is legally fixed below the charges of its production, the production of it is discontinued, because nobody is willing to labour for a loss: those, who before earned their livelihood by this branch of production, must die of hunger, if they find no other employment; and those, who could have purchased the product at its natural price, are obliged to go without it. The establishment of the fixed rate, or maximum, is a suppression of a portion of production and

\* A pickle made of the roe of sturgeons, a favorite condiment of Russian diet.

consumption; that is to say, a diminution of the prosperity of the community, which consists in production and consumption. Even the produce already existing is not so properly consumed as it should be. For, in the first place, the proprietor withholds it as much as possible from the market. In the next, it passes into the hands, not of those who want it most, but of those who have most avidity, cunning, and dishonesty; and often with the most flagrant disregard of natural equity and humanity. A scarcity of corn occurs; the price rises in consequence; yet still it is possible, that the labourer, by redoubling his exertions, or by an increase of wages, may earn wherewithal to buy it at the market-price. In the mean time, the magistrate fixes corn at half its natural price: What is the consequence? Another consumer, who had already provided himself, and consequently would have bought no more corn had it remained at its natural price, gets the start of the labourer, and now, from mere superfluous precaution, and to take advantage of the forced cheapness, adds to his own store that portion, which should have gone to the labourer. The one has a double provision, the other none at all. The sale is no longer regulated by the wants and means, but by the superior activity of the purchasers. It is therefore not surprising, that a maximum of price on commodities should aggravate their scarcity.

A law, that simply fixes the price of things at the rate they would naturally obtain, is merely nugatory, or serves only to alarm producers and

consumers, and consequently to derange the natural proportion between the production and the demand; which proportion, if left to itself, is invariably established in the manner most favorable to both.

Hope, fear, malevolence, benevolence, in short, every human passion or virtue may influence the scale of price. But it is the province of moral science to estimate the intensity of their effect upon actual price in every instance, which is the only thing we are here to attend to. Neither need we advert to the operation of the causes of a nature purely political, that may operate to raise the price of a product above the degree of its real utility. For these are of the same class with actual robbery and spoliation, which come under the department of criminal jurisprudence, although they may intrude themselves into the business of distribution of wealth. The functions of national government, which is a class of industry, whose result or product is consumed by the governed as fast as it is produced, may be too dearly paid for, when they get into the hands of usurpation and tyranny, and the people be compelled to contribute a larger sum, than is necessary for the maintenance of good government. This is a parallel case to that of a producer without competitors, whether he have got rid of them by force, or by accidental circumstances. He may raise his product to what price he will, even to the extreme limit of the consumer's ability, if his monopoly be seconded by authority. But it is the province of

the statesman, and not of the political economist, to teach us how this evil may be avoided. In like manner, although it be the province of ethics, or of the knowledge of the moral qualities of man, to teach the means of ensuring the good conduct of mankind, in their mutual relations, yet, whenever the intervention of a super-human power appears necessary to effect this purpose, those who assume to be the interpreters of that power must be paid for their service. If their labour be useful, its utility is an immaterial product, which has a real value ; but, if mankind be no-wise improved by it, their labour not being productive of utility, that portion of the revenues of society, devoted to their maintenance, is a total loss ; a sacrifice without any return. (*f*)

---

(*f*) A national church is a human institution, whatever a priesthood may advance to the contrary. It is but a human means of promoting national morality ; and its efficacy to that end is the measure of its utility, which must at all times determine the propriety of continuing, or remodelling, or absolutely discarding it. Hence the absurdity of assigning to such an establishment an invariable ratio of the national produce. We learn, that the whole surplus revenue of Egypt, in former times, was in the hands of the ecclesiastics ; we must by no means conclude, that it was wrongfully so ; for possibly the business of promoting national morality may have been so urgent, as to have required the whole of that surplus. The efficacy of the peculiar institution is another thing ; perhaps the state of human knowledge for the time being may have admitted of no alternative. Hence the impolicy, in Catholic countries, of continuing to the priesthood a scale of revenue, which may have been not too high in the ages of intellectual darkness. Hence, likewise, the impolicy, in any state, of upholding a

With the most earnest wish to confine myself within my subject, it is impossible to avoid sometimes touching upon the confines of policy and morality, were it for the sole purpose of marking out their points of contact. (g)

---

national ecclesiastical establishment, which the prejudices of the majority reprobate so strongly, as to set up a rival institution; as in Ireland. A double institution is thereby maintained, whereof one part is over-salaried by the state, without any benefit to national morality; and the other part is underpaid by individuals, with much less benefit than is practicable. T.

(g) After all the revision which this part of our author's subject has undergone, there are still many defects in his manner of treating it. He has no where clearly defined the ingredients or constituent parts of *relative*, and seems not distinctly to see, that they are the same as those of *positive* value; viz. utility and difficulty of attainment. Again, although this latter ingredient is admitted to be necessary, no clear distinction is drawn between the difficulty which nature, and that which human institutions or human agency interposes between the desire and the enjoyment; a distinction which is most necessary to the clear conception of the subject, and which is absolutely the key, that unlocks the most secret recesses of internal national polity. T.

## CHAP. II.

## OF THE SOURCES OF REVENUE.

IT has been shown in Book I., that products are raised by the productive means at the command of mankind, that is to say, by human industry, capital, and natural powers and agents. The products thus raised form the revenue of those possessed of these means of production, and enable them to procure such of the necessaries and comforts of existence, as are not furnished gratuitously, either by nature, or by their fellow creatures.

The exclusive right to dispose of revenue is a consequence of the exclusive right, or property, in the means of production; and such of them, as are not the subject of human appropriation, are not either items of productive means, or sources of revenue; they form no part of human wealth, which implies appropriation and exclusive possession; for there is no such thing as wealth (*a*), un-

---

(*a*) Our author must here mean *social* wealth, as he has termed it. Natural wealth may exist in any degree without human appropriation, though value cannot. Ricardo has thrown new light upon this distinction, in his chapter on value and riches. *Princ. of Pol. Econ. and Tax.* c. 20. T.

less where property is known and established, and where possession is both acknowledged and secured.

The origin or the justice of the right of property, it is unnecessary to investigate, in the study of nature, and of the progress of human wealth. Whether the actual owner of the soil, or the person from whom he derived its possession, have obtained it by prior occupancy, by violence, or by fraud, can make no difference whatever in the business of the production and distribution of its product or revenue.

Perhaps it is scarcely necessary to remark, that property in that class of productive means, which has been called human industry, and in that distinguished by the general name of capital, is far more sacred and indisputable, than in the remaining class of natural powers and agents. The industrious faculties of man, his intelligence, muscular strength, and dexterity, are peculiar to himself and inherent in his nature. And capital, or accumulated produce, is the mere result of human frugality and forbearance to exercise the faculty of consuming, which, if fully exerted, would have destroyed products as fast as they were created, and they never could have been the existing property of any one; wherefore, no one else, but he who has practised this self-denial, can claim the result of it with any show of justice. Frugality is next of kin to the actual creation of products, which confers the most unquestionable of all titles to the property in them.



These several sources of production are some of them alienable, as land, implements of art, &c.; and some inalienable, as personal faculties. Some also are consumable, as are all the items of floating (*b*) capital; others inconsumable, as land. Some, too, there are, that are neither alienable nor consumable, yet are capable of destruction; as the human faculties, intellectual and corporeal, which vanish with human existence.

Such as are capable of consumption, as, for instance, the floating values, whereon production expends its energies, may be consumed, either in such manner as to occasion a re-production, in which case they still constitute a part of the means of production; or in such manner as to yield no further production, in which case they cease to form any part of those means, and are devoted to pure destruction, more or less rapid.

Although revenue, as well as the sources of production, is a constituent part of individual wealth, yet no one is reputed to reduce his fortune by the consumption of his revenue only, provided that he does not encroach upon his productive means; because revenue is a regenerating product, whereas the means of production, so long as

---

(*b*) *Capitiaux mobiliaries*, which has been rendered floating capital, wherein are comprised all products, which the English law terms personal chattels, and which are sometimes called moveables, although some of these are of very slow consumption, as diamonds and precious stones. T.

they continue to exist, are a constant and perpetual source of new products. (c)

The current value of these appropriable sources of production is established on the same principles, as that of all other objects; that is to say, by the conflicting influence of supply and demand. The only remark that need be made upon it is, that the demand does not originate in the enjoyment anticipated from the immediate use of the particular source; for a field or an implement of trade yield to the owner no direct enjoyment, which is capable of estimation; their value has reference to the value of the product they are capable of raising, which itself originates in the utility of that product, or the satisfaction it may be capable of affording.

With regard to those sources, that are inalienable, as are the human faculties of mind and body,

---

(c) Every object of human desire, presenting some difficulty of attainment, may be made the motive or the means of a fresh act of production, material or immaterial, if offered as the reward or the subject of the productive act. But it cannot be so offered, unless with the voluntary or involuntary concurrence of that productive agency, whereof it is itself the recompense. So much only of consumable products, as is so offered, is used as productive capital; the residue is revenue; it is simply consumed as the reward of previous, and not as the motive or the means of subsequent, production. This is the true distinction between capital and revenue; and this too explains the reason, why all capital, for all products are capital, cannot be made *productive capital*. T.

they can never be the subject of actual exchange, and their value is a matter of mere mental estimation, grounded upon the value they may be capable of producing. Thus, the productive means of this description, which yield to an artisan the wages of 3 *fr.* a day, or of 1000 *fr.* a year, may be reckoned equivalent to a vested capital yielding an equal annual revenue. (*d*)

And now that we have taken this general and cursory view of the sources of production and of revenue in the abstract, we may enter upon a more minute analysis of their nature, which will lead us into the labyrinths of the science of Political Economy, and furnish us with a clue to some of its most intricate windings.

The immediate result of these sources is not strictly speaking a product, but a productive agency, that helps us to a product. (*e*) Products

---

(*d*) They are of that value to the free individual, wherein they are vested. But, where human faculties are the subject of appropriation, as in the extreme case of negro slavery, or the less flagrant one of feudal vassalage, the value of the productive power vested in the appropriated human being is to the appropriator equivalent to the surplus product, which that being is capable of affording, and not to the gross product. T.

(*e*) This is a mere subtlety, and has involved the remainder of the chapter in needless obscurity. Nay, it is somewhat more than a refinement; for how can the act of production, the mere exertion of its dormant energy, be called a product? To call it so, would be equally absurd as to say, that an attempt to strike is a blow, before the attempt has taken effect; which it never

should, therefore, be considered as the result of an interchange of productive agency on the one side, and of actual products on the other, subsequently to which, revenue appears for the first time in the shape of products; and these again may be exchanged for other products, into which latter form the same revenue will then be converted.

The conception of this matter will be rendered clearer by a practical illustration. A piece of arable land yields an annual product, say of 300 *setiers* of wheat, whereof 200 *set.*, more or less, may be considered as resulting from the agency of the capital and industry employed in its cultivation, and the remaining 100 *set.* as resulting from the natural productive powers of the land. The revenue, yielded by the land to the proprietor, will have appeared first in the way of concurring productive agency afforded by the object of property, the land; which productive agency will have been transferred or lent to the cultivator for the sum of 100 *set.* of wheat, and this will be the first act of exchange. If these 100 *set.* of wheat be converted into specie, either by the proprietor himself or by the cultivator on his behalf, and in consequence of a mutual arrangement, this specie will still be

---

never can be in fact, though it may in law. Our author has given us one step too much; the primitive object of revenue is the primary product of the productive means exerted; the exertion is the cause and not the effect. T.

the same identical revenue, though under the secondary form of money.

This analysis will conduct us to a knowledge of the real value of revenue, which falls in with the general definition of value given in the preceding chapter; *viz.* the amount of other objects obtainable by exchange for the object of intended transfer. What, then, is the object of transfer, for which revenue is given in exchange? why, the productive agency of those means, that the receiver of revenue may be possessed of. And what is obtained by the primary act of exchange, which we designate production? why products. Wherefore, the value of revenue is large in proportion, not to the value, but to the quantity of the product obtained, to the sum total of utility created. (*f*)

Thus we find, that the ratio of national revenue, in the aggregate, is determined by the amount of the product, and not by its value.\* It is not so with

\* Hence the futility of any attempt to compare the wealth of different nations, of France and England for instance, by comparison of the value of their respective national products. Indeed, two values are not capable of comparison, when placed at a distance from each other. The only fair way of comparing the wealth of one nation with that of another is, by a moral estimate of the individual welfare in each respectively.

---

(*f*) If exchangeable or relative value of revenue be here spoken of, the position is incorrect; and exchangeable value seems to be the only value alluded to in the preceding chapter. But probably *positive* value is intended. The passage implies  
a recog-

individual revenue ; because a variation in the relative value of different products will operate to swell that of one individual, or class, at the expense of another.

Could each member of society live on the primary products, whereof his revenue is composed, the relative degree of revenue would, like that of nations, in the aggregate, depend upon the amount of the product, upon the sum of utility created, and not upon its exchangeable value. But, in a state of society at all elevated above barbarism, this is impossible ; each individual consumes a much less quantity of his own peculiar product, than of those of other people, which he buys with his own. The grand point, therefore, of individual importance to the producer is, the quantity of products not of his own creation, which he may be able to procure with his own productive means, or with the products created by their agency. Suppose, for instance, the land, capital, and personal faculties of a particular individual to be engaged in the cultivation of saffron ; as he will probably himself consume little or no saffron, his revenue will consist of such other objects, as his annual crop of saffron can be exchanged for ; and the ratio of that revenue will be elevated by a rise in the price of saffron ; while that of the

---

a recognition of the distinction drawn by Ricardo between value and riches. It also implies, that utility cannot alone confer value. T.

consumers of that article will be proportionately reduced, to the full extent of the rise of its price. On the contrary, their revenue will be augmented in like manner by a fall of its price, to the prejudice of the revenue of the grower.

Every saving in the charges of production, that is to say, every saving in the productive agency exerted to raise the same product, is an increase of the revenue of the community to an equal extent; as, for example, the contrivance to raise as much upon one acre of land as before upon two, or to effect with two days' labour, what before required as much as four; for the productive agency thus released may be directed to the increase of production. (g) And this accession of revenue

---

(g) And will be so for the most part, though not entirely, wherever the members of the community have no other hope of subsistence, than from the product of their own productive means: for the whole surplus of revenue thus created is sure to go, in the end, to the appropriators of the natural sources of production; leaving those, whose productive means are merely personal, to employ them upon some other object, or upon an enlarged production of the same object. And this is a complete answer to the position of *Sismondi* and *Malthus*, that economy of human productive exertion makes the multiplication of unproductive consumers, not only probable, but necessary. (*Vide supra*, Book I. Chap. 15. *in notis*.) But where a poor-law or a monastic establishment provides for the subsistence of the human agency thus rendered superfluous, there will probably be no increase of national revenue consequent upon a saving of productive agency; for the surplus labour is thereby released from the necessity of exertion in some other channel. With such institutions,

individual revenue ; because a variation in the relative value of different products will operate to swell that of one individual, or class, at the expense of another.

Could each member of society live on the primary products, whereof his revenue is composed, the relative degree of revenue would, like that of nations, in the aggregate, depend upon the amount of the product, upon the sum of utility created, and not upon its exchangeable value. But, in a state of society at all elevated above barbarism, this is impossible ; each individual consumes a much less quantity of his own peculiar product, than of those of other people, which he buys with his own. The grand point, therefore, of individual importance to the producer is, the quantity of products not of his own creation, which he may be able to procure with his own productive means, or with the products created by their agency. Suppose, for instance, the land, capital, and personal faculties of a particular individual to be engaged in the cultivation of saffron ; as he will probably himself consume little or no saffron, his revenue will consist of such other objects, as his annual crop of saffron can be exchanged for ; and the ratio of that revenue will be elevated by a rise in the price of saffron ; while that of the

---

a recognition of the distinction drawn by Ricardo between value and riches. It also implies, that utility cannot alone confer value. T.



consumers of that article will be proportionately reduced, to the full extent of the rise of its price. On the contrary, their revenue will be augmented in like manner by a fall of its price, to the prejudice of the revenue of the grower.

Every saving in the charges of production, that is to say, every saving in the productive agency exerted to raise the same product, is an increase of the revenue of the community to an equal extent; as, for example, the contrivance to raise as much upon one acre of land as before upon two, or to effect with two days' labour, what before required as much as four; for the productive agency thus released may be directed to the increase of production. (g) And this accession of revenue

---

(g) And will be so for the most part, though not entirely, wherever the members of the community have no other hope of subsistence, than from the product of their own productive means: for the whole surplus of revenue thus created is sure to go, in the end, to the appropriators of the natural sources of production; leaving those, whose productive means are merely personal, to employ them upon some other object, or upon an enlarged production of the same object. And this is a complete answer to the position of *Sismondi* and *Malthus*, that economy of human productive exertion makes the multiplication of unproductive consumers, not only probable, but necessary. (*Vide supra*, Book I. Chap. 15. *in notis*.) But where a poor-law or a monastic establishment provides for the subsistence of the human agency thus rendered superfluous, there will probably be no increase of national revenue consequent upon a saving of productive agency; for the surplus labour is thereby released from the necessity of exertion in some other channel. With such institutions,

will accrue to the individual benefit of the contriver, so long as the contrivance can be confined to his own knowledge ; but to that of consumers at large, as soon as the notoriety shall have awakened competition, and obliged him to limit his profits to the actual charges of production.

However revenue may be transformed by the various acts of exchange, commencing with the productive agency, which is the primitive exhibition of revenue, it remains the same in substance, until the moment of its ultimate consumption. The revenue yielded by an acre of arable land remains, in reality, the same, both after its primary exchange, by the act of production, into the form of wheat, and after its secondary transformation into silver coin, even although the wheat have been consumed by the purchaser. But, as soon as the revenue individual converts his silver coin into an object of consumption, and that object is simply consumed, the value of his revenue thenceforth ceases to exist, and is destroyed and lost, although the silver coin, whose form it once assumed, continue in existence. It must not be imagined still to exist in the hands of the temporary holder of the coin, although lost to the receiver of revenue ; but is equally lost to mankind at large ; for the actual holder of the coin

---

institutions, the enlargement of productive power by machinery or otherwise may be very great, without any enlargement of national production, revenue, or wealth. T.

must have obtained possession of it by the transfer of other revenue of his own, or of some source of revenue before in his own possession.

When revenue is added to capital, it thenceforth ceases to be revenue, or, as such, to be capable of satisfying the wants of the proprietor; it can only yield an increased revenue, being an item of productive capital, consumable in the manner of capital, that is to say, in such way as to yield a product in exchange and return for the value consumed.

When capital or land, or personal service, is let out to hire, its productive power is transferred to the renter or adventurer in production, in consideration of a given amount of products agreed upon beforehand. It is a sort of speculative bargain, wherein the renter takes the risk of profit and loss, according as the revenue he may realize, or the product obtained by the agency transferred, shall exceed or fall short of the rent or hire he is to pay. Yet one revenue only can be realized; and, though a borrowed capital may yield to the adventurer an annual product of 10 per cent., instead of 5 per cent. which he pays in the shape of interest, yet the revenue of the capital, the productive service it affords, will not be 10 per cent.; for in that gross product is included the recompense of the productive agency, both of the capital, and of the industry that has turned it to account.

The actual revenue of each individual is proportionate to the quantity of products at his disposal, being either the immediate fruit of his productive

the productive agency exerted, or the cost of its production.\* Tracing upwards to this original price of a product, we unavoidably come to other products; for the charge of productive agency can only have been defrayed by other products. The daily wages of the weaver engaged in producing broad-cloth are products; they consist either of the articles of his daily subsistence, or of the money wherewith he may procure them; both which are equally products. Wherefore the production, as well as the subsequent interchange of products, may be said to resolve itself into a barter of one product for another, conducted upon a comparison of their respective current prices. But there is one important particular, that requires the most assiduous attention, the neglect or oversight of which has led to abundance of error and misrepresentation, and has made the works of many writers calculated only to mislead the students in this science.

An ell of broad-cloth, that has, in the production, required the purchase of productive agency at the price of 40*fr.*, will have cost that sum in the manufacture; but if three-fourths only of that productive agency can be made to suffice for its production; if, supposing one kind of productive agency only to be requisite, 15 instead of 20 days' labour of a single workman be enabled to complete the product, the same ell of broad-cloth will cost but 30*fr.* to the producer, at the same

\* *Vide Wealth of Nations*, book i. c. 5.

rate of wages. In this case, the current price of human productive agency will have remained the same, although the cost of production will have varied in the ratio of the difference between 30 *fr.* and 40 *fr.* But, as this difference in the relation between the cost of production and the current price of the product holds out a prospect of larger profit than ordinary in this particular channel, it naturally attracts a larger proportion of productive agency, the exertion of which, by enlarging the supply, reduces again the current price to a level with the bare cost of production. \*

This kind of variation in the price of a product I shall call *real* variation of price, because it is a positive variation, involving no equivalent variation in the object of exchange, and both may, and actually does occur, without any cotemporaneous variation of the price, either of productive agency, of the products wherewith it is recompensed, or of those, for which the specific object of this real variation is procurable.

It is otherwise with regard to the variation of price of products already in existence one to another, without reference to their respective cost of production. When the wine of the last vintage, that a month before sold at 200 *fr.* the ton,

\* The cost of production is what Smith calls the *natural* price of products, as contrasted with their current or market price, as he terms it. But it results from what has been said above, that every act of barter or exchange, among the rest even that implied in the act of production, is conducted with reference to current price.

will fetch no more than 150 *fr.*, money, and all other objects of desire to the wine-vender have actually advanced in price to him; for the productive agency exerted in raising the wine, receives a recompence of but 150 *fr.*, instead of 200 *fr.* in money, and of commodities in a like proportion, which is an abatement of  $\frac{1}{4}$ ; whereas, in the instance above cited, an equal amount of productive agency will receive an equal recompence in all other products; for a degree of agency, which has both cost and received 30 *fr.*, will be equally well paid with one that has both cost and received 40 *fr.*

In the former case, then, of a *real* variation, the wealth of the community will have received an accession; in the latter, of *relative* variation, it will have remained stationary; and for this plain reason; because, in the one case, all the purchasers of cloth will be so much the richer, without the seller being any poorer; while, in the other, the gain of the one class will be exactly equiposed by the corresponding loss of the other. In the former case, a larger amount of products will be procured with an equal charge of production, and without any alteration in the revenues of either buyers or sellers: there will be more actual wealth, more means of enjoyment, without any increased expenditure of productive means; the aggregate utility will be augmented; the quantum of produce procurable for the same price will be enlarged; all which are but varied expressions of the same meaning.

But whence is derived this accession of enjoyment, this larger supply of wealth, that nobody pays for? From the increased command acquired by human intelligence over the productive powers and agents presented gratuitously by nature. A power has been rendered available for human purposes, that had before been not known, or not directed to any human object; as in the instance of wind, water, and steam-engines: or one before known and available is directed with superior skill and effect; as in the case of every improvement in mechanism, whereby human or animal power is assisted or expanded. The merit of the merchant, who contrives, by good management, to make the same capital suffice for an extended business, is precisely analogous to that of the engineer, who simplifies machinery, or renders it more productive.

The discovery of a new mineral, animal, or vegetable, possessed of the properties of utility in a novel form, or in a greater degree of abundance or of perfection, is an acquisition of the same kind. The productive means of mankind were amplified, and a larger product rendered procurable by an equal degree of human exertion, when indigo was substituted for woad, sugar for honey, and cochineal for the Tyrian dye. In all these instances of improvement, and those of a similar nature that may be hereafter effected, it is observable, that, since the means of production placed at the disposal of mankind become in reality more powerful, the product raised always

increases in quantity, in proportion as it diminishes in value. We shall presently see the consequences of this circumstance. \*

A fall of price may be general and affect all commodities at once; or it may be partial and affect certain commodities only; as I shall endeavour to explain by example.

Suppose that, when stockings were made by knitting only, thread-stockings, of a given quality, amounted to the price of 6 *fr.* the pair. Hence, we should infer, that the rent of the land whereon the flax was grown, the profits upon the labour and capital of the cultivators, those of the flax-dresser and spinner, with those likewise of the stocking-knitter, amounted altogether to the sum of 6 *fr.* for each pair of stockings. Suppose that, in consequence of the invention of the stocking-machine, 6 *fr.* will buy two pair of stockings instead of one. As the competition has a tendency to

\* Within the last hundred years, the improvements of industry, effected by the advance of human knowledge, more especially in the department of natural science, have vastly abridged the business of production; but the slow progress in moral and political science, and particularly in the branch of social organization, has hitherto prevented mankind from reaping the full benefit of those improvements. Yet it would be wrong to suppose they have reaped none at all. The pressure of taxation has indeed been doubled, tripled, or even quadrupled; yet population has increased in most countries of Europe; which is a sign, that a portion at least of the increase of produce has fallen to the lot of the subject; and the population, besides being augmented, is likewise better lodged, clothed, and conditioned, and I believe better fed too, than it was a century ago.



bring the price to a level with the charges of production, we may infer from this reduced price, that the outlay in land, capital, and labour, necessary to produce two pair of stockings, is still no more than 6 *fr.*; thus, with equal means of production, the product raised is doubled in quantity. And what is a convincing proof that this fall is positive, is the fact, that every person, of what profession soever, may thenceforward obtain a pair of stockings with half the quantity of his own particular product. A capitalist, the holder of five per cent stock, was before obliged to devote the annual interest of 120 *fr.* to the purchase of a pair of stockings; he now gives the interest of 60 *fr.* only. A tradesman selling his sugar at 2 *fr.* per lb. must before have sold 3 lb. of sugar to buy a pair of stockings; now he need but sell 1½ lb.: he therefore sacrifices in the purchase of a pair of stockings only half the means of production he formerly devoted to the acquisition of the same object.

We have hitherto supposed this product alone to have fallen in price. Let us suppose two products to fall, stockings and sugar: that, by an improvement of commerce, 1 lb. of sugar costs 1 *fr.* instead of 2. In this case, all purchasers of sugar, including the stocking-maker, whose product has likewise fallen, will sacrifice, in the purchase of 1 lb. of sugar, but half the productive means, which they before allotted for that purpose.

The truth of this position may be easily ascertained. When sugar was at 2 *fr.* per lb. and

stockings at 6 *fr.* the pair, the stocking-maker was obliged to sell one pair of stockings, before he could buy 3 lbs. of sugar; and, as the charges of producing this pair of stockings were 6 *fr.*, he in reality bought 3 lbs. of sugar at the price of 6 *fr.* value in his own productive means; in like manner as the grocer bought a pair of stockings for 3 lbs. of sugar, that is to say, in his case also, for 6 *fr.* value of his peculiar productive means. But when both these commodities have fallen to half their price, one pair only, or productive means equivalent to 3 *fr.*, would buy 3 lbs. of sugar; and 3 lbs. of sugar, procurable at a charge of production amounting to 3 *fr.*, will suffice to purchase a pair of stockings. Wherefore, if two kinds of products, which we have set one against the other, and supposed to pass in exchange the one for the other, can both have fallen in price at the same time, are we not authorised to infer, that this fall is a positive fall, and has no reference or relation to the prices of commodities one to another? that commodities in general may fall at one and the same time, some more, some less, and yet that the diminution of price may be no loss to any body?

It is for this reason, that, in modern times, although wages stand in nearly the same relation to corn as they did four or five hundred years ago, yet the lower classes now enjoy many luxuries, that were then denied them; many articles of dress and household furniture, for instance, which have suffered a real diminution of value; and that

the same individuals are more scantily supplied with others, as with butcher's meat and game, \* because they have sustained a real increase of value.

Every saving in the cost of production implies the procurement, either of an equal product by the exertion of a smaller amount of productive agency, or of a larger product by the exertion of equal agency, which are both the same thing; and it is sure to be followed by an enlargement of the product. It may be thought perhaps, that this increase of production may possibly take place, without any corresponding increase of demand;

\* I find in the *Recherches* of Dupré de Saint Maur, that in 1342, an ox was sold for from 10 to 11 *livres tournois*. This sum then contained 7 oz. of fine silver, which was worth about 28 oz. of the present day; and 28 oz. of our present money are coined into 171 *fr. 30 c.*, which is lower than the price of an ordinary ox. A lean ox bought in Poitou for 300 *fr.*, and afterwards fatted in Lower Normandy, will sell at Paris for from 450 to 500 *fr.* Butcher's meat has, therefore, more than doubled in price since the 14th century; and probably most other articles of food likewise; and, if the labouring classes had not at the same time been greatly benefited by the progress of industry, and put in possession of additional sources of revenue, they would be now worse fed than in the time of Philip of Valois.

This may be easily explained. The growing revenues of the industrious classes have enabled them to multiply, and consequently to swell the demand for all objects of food. But their supply cannot keep pace with the increasing demand, because, although the same surface of soil may be rendered more productive, it cannot be so to an indefinite degree; and the supply of food by the channel of external commerce, is more expensive than by that of internal agriculture, on account of the bulky nature of most of the articles of aliment.

and, therefore, that the price current of the product may fall below the cost of its production, even on its reduced scale. But this is a groundless apprehension; for the fall of price tends so strongly to expand the sphere of consumption, that, in all the instances I have been able to meet with, the increase of demand has invariably outrun the increasing powers of an improved production, operating upon the same productive means; so that every enlargement of the power of productive agency has created a demand for more of that agency, in the preparation of the product cheapened by the improvement.

Of this, a striking example has been afforded by the invention of the art of printing. By this expeditious method of multiplying the copies of a literary work, each copy costs but a twentieth part of what was before paid for manuscript; an equal intensity of total demand would, therefore, take off only twenty times the number of copies; but probably it is within the mark to say, that a hundred times as many are now consumed. So that, where there was formerly one copy only of the value of 60 *fr.* of present money, there are now a hundred copies, the aggregate value of which is 300 *fr.*, though that of each single copy be reduced to  $\frac{1}{20}$ . Thus the reduction of price, consequent upon a real variation, does not occasion even a nominal diminution of wealth. \*

\* Our *data* of the products of former times are too few to enable us to deduce from them any precise result; but those at all acquainted with the subject will see, that, whether over or under-

On the other hand, and by the rule of contraries, as a real advance of price must always proceed from a deficiency in the product raised by equal productive means, it is attended by a diminution in the general stock of wealth; for the rise of price upon each portion does not counterpoise the reduction, that takes place in the total quantity of the commodity; to say nothing of the greater relative dearness of the object of consumption to the consumer, and of his consequent impoverishment in comparison.

Suppose a murrain, or a bad system of management, to cause a scarcity of any kind of live stock, of sheep for instance, the price will rise, but not in proportion to the reduction of the supply; because, in proportion as they grow dearer, the demand will decrease. If there were but one fifth of the present number of sheep, it is very possible their price would advance to no more than double; so that, in place of five sheep, which might together be worth 100 *fr.* at 20 *fr.* each, there would remain but one valued at 40 *fr.* The diminution of wealth in the article of sheep, notwithstanding the increased price, must therefore be computed at 60 per cent., which is considerably more than a moiety. \*

understated, will make no difference in the reasoning. The statistic researches of the present generation will provide future ages with more accurate means of calculation, but will add nothing to the solidity of the principles, upon which it must be made.

\* Of this nature is the evil effect of taxation, (especially if it be exorbitant,) upon the general wealth of the community, independently of its effect upon the individuals assessed. The  
cost

Thus, it may be affirmed, that every real reduction of price, instead of reducing the nominal value of produce raised, in point of fact, augments it; and that a real increase of price reduces, instead of adding to the general wealth; to say nothing of the quantum of human enjoyment, which in the former case is multiplied, and in the latter abridged. Besides, it would be a capital error to imagine, that a real fall of price, or, in other words, a reduction in the price paid to productive exertion, occasions as much loss to the producer as gain to the consumer. A real depreciation of commodities is a benefit to the consumer, without curtailing the profits of the producer. The stocking-maker, who, for 6 *fr.* manufactures two pair of stockings instead of one, gains as much upon that sum as if it were the price of a single pair. The landed proprietor receives the same rent, although, by a better rotation of crops, the tenant should multiply and cheapen the produce of his land. Whenever, without additional fatigue to the labourer, means are devised to double the quantity of work he can perform, the ratio of his daily gains is not reduced, although his product is sold at a lower price. \* (a)

cost of production, and consequently the real price of commodities, is aggravated thereby, and their aggregate value diminished.

\* I have met with persons, who imagined themselves adding to national wealth, by favoring the production of expensive,

---

(a) Our author seems here to lose sight of the obvious detriment to the value of human agency, occasioned by the increase of  
of

This will serve to confirm and explain a maxim, which has been hitherto imperfectly understood,

pensive, in preference to that of cheaper articles. In their opinion, it is better to make a yard of rich brocade than one of common sarsenet. They do not consider, that, if the former costs four times as much as the latter, it is because it requires the exertion of four times as much productive agency, which could be made to produce four yards of the latter, as easily as one of the former. The total value is the same; but society derives less benefit; for a yard of brocade makes fewer dresses than four yards of sarsenet. It is the grand curse of luxury, that it ever presents meanness in company with magnificence. (*b*)

---

of its productive power, or by the increased employment and efficiency of natural powers and agents. Every resort to natural, in lieu of human agency, must of course reduce the demand for the latter, and drive it to seek some new channel, the discovery of which becomes gradually more difficult, in proportion as the substitution is more general and successful. Even the extreme case, put by way of illustration, is not quite fairly stated; for, although every object of human desire should be presented gratuitously by nature, still, were mankind to sanction the right of exclusive property, the benefit of this spontaneous abundance would accrue to one class of human beings only, *i. e.* to the appropriators of the natural sources of production. To all the rest there would be an artificial difficulty of acquirement, a difficulty of human creation, interposed by the existence of exclusive property. It is this circumstance, that prevents the increasing powers of production from operating to the equal benefit of all classes of society alike. The possessor of human agency or personal means of production alone is thus prejudiced, in point of relative wealth and importance, by the extended employment of natural agency.

(*b*) This is by no means universally true. Luxury is a national evil, not where it originates in the surplus of individual wealth, and

and even disputed by many writers, and sects of political reasoners; namely, that a country is rich and plentiful, in proportion as the price of commodities is low.\*

For argument's sake, I will put the matter in the most favorable light for those who dispute this maxim, and suppose them to urge an extreme case; *viz.* that, by successive economical reductions, the

\* *Dupont de Nemours* (*Physiocratie*, p. 117.) says, that 'it must not be supposed, that the cheapness of commodities is advantageous to the lower classes; for the reduction of prices lessens the wages of the labourer, curtails his comforts, and affords him less work and lucrative occupation.' But theory and practice both controvert this position. A fall of wages, occasioned solely by a fall in the price of commodities, does not diminish the comforts of the labourer; and, inasmuch as the low price of wages enables the adventurer to produce at a less expense, it tends powerfully to promote the vent and demand for the produce of labour.

*Melon*, *Forbonnais*, and all the partisans of the exclusive system, or balance of trade, concur with the economists in this erroneous opinion; and it has been re-affirmed by *Sismondi*, in his *Nouveaux Prin. d'Econ. Pol.* liv. iv. c. 6.; where the lower price of products is treated as an advantage gained by the consumer upon the producer; in despite of the obvious impossibility of any loss to the labouring or other productive classes, by a reduction tantamount only to the saving in the cost of production.

---

and the natural desire of innocent, though perhaps puerile, gratification; but where it is excited by the profusions of a corrupt court, or the example of pampered favorites and over-paid public functionaries. Where things are left to themselves, it is certain that brocade will never be produced for home consumption, until the demand for articles of more general utility has been fully satisfied.



charges of production are at length reduced to nothing; in which case, it is evident, there can no longer be rent for land, interest upon capital, or profits on labour, and, consequently, no longer any revenue to the productive classes. What then? Why then, I say, these classes would no longer exist. Every object of human want would stand in the same predicament as the air or the water, which are consumed without the necessity of being either produced or purchased. In like manner as every one is rich enough to provide himself with air, so would he be to provide himself with every other imaginable product. This would be the very *acmé* of wealth. Political economy would no longer be a science; we should have no occasion to learn the mode of acquiring wealth; for we should find it ready made to our hands.

Although there be no instance of a product falling to nothing in price, and becoming worth no more than mere water, yet some kinds have undergone prodigious abatements; as fuel in those places, where coal pits have been discovered; and such abatements are so many approximations to that imaginary state of complete abundance, I have just been speaking of.

If different commodities have fallen in different ratios, some more, others less, it is plain they must have varied in relative value to each other. That which has fallen, stockings, for instance, has changed its value relatively to that which has not fallen, as butcher's meat; and such as have

fallen in equal proportion, like stockings and sugar in our hypothesis, have varied in *real*, though not in *relative* value.

There is this difference between a real and a relative variation of price; that the former is a change of value, arising from an alteration of the charges of production; the latter, a change, arising from an alteration of the ratio of value of one particular commodity to other commodities. Real variations are beneficial to buyers, without injury to sellers; and *vice versâ*; but in relative ones, what is gained by the seller is lost by the purchaser, and *vice versâ*. A dealer, having in his warehouse 100,000 lbs. of wool at 1 *fr.* per lb., is worth 100,000 *fr.*; if, by reason of an extraordinary demand, wool should rise to 2 *fr.* per lb., that portion of his capital will be doubled; but all goods brought to be exchanged for wool will lose as much in relative value as the wool will gain. A person in want of 100 lbs. of wool, who could before have obtained it by disposing, say of 4 *setiers* of wheat valued at 100 *fr.*, must now dispose of twice that quantity. He will lose the 100 *fr.* gained by the wool-dealer; and the nation be neither enriched nor impoverished.\*

\* The Earl of Lauderdale published in 1807, a work, intitled, "*Researches on the Nature and Origin of public Wealth, and on the Causes which concur in its Increase;*" the whole reasoning of which is built on this erroneous proposition; that the scarcity of a commodity, though it diminish the wealth of society in the aggregate, augments that of individuals, by  
increasing

When sales of this kind take place between one nation and another, the nation, that sells the com-

increasing the value of that commodity in the hands of its possessors. Whence the author deduces the unsound conclusion, that national, differs in principle from individual wealth. He has not perceived, that, whenever a purchaser is obliged to make the acquisition by the sacrifice of a greater value, he loses just as much as the seller gains; and that every operation, designed to procure this kind of benefit, must occasion to one party a loss, equivalent to the gain of another.

He likewise refers this imaginary difference between the principle of public and of private wealth to this circumstance; that the accumulation of capital, which is an advantage to individual, is detrimental to national wealth, by obstructing the consumption, which is the stimulus of industry. He has fallen into the very common error of supposing, that capital is, by accumulation, withdrawn from consumption; whereas, on the contrary, it is consumed, but in a reproductive way, and so as to afford the means of a perpetual recurrence of purchase, which can occur but once in the case of unproductive consumption. *Vide* Book III. *infra*. Thus it is, that a single error in principle, vitiates a whole work. The one in question is built upon this unsound foundation; and, therefore, serves only to multiply, instead of reducing the intricacies of the subject. (c)

---

(c) The error of Lauderdale is analogous to that of *Sismondi* and of Malthus; and arises from the notion, that an extension of productive power makes an extension of unproductive consumption necessary; whereas, it is thereby rendered possible, or at the utmost probable only. *Vide supra*, Book I. chap. 15. *in notis*. The state, as well as its subjects, may consume in a way conducive to the further extension of productive power; and the state, like an individual, is powerful and wealthy, in proportion to the extent of the productive sources in its possession, and to the fertility of those sources.

modity, which has advanced in relative price, gains to the amount of the advance, and the purchasing nation loses precisely to the same extent. Such a rise of price adds nothing to the general stock of wealth, existing in the world, which can only be enlarged by the production of some new utility, that may become the object of price or estimation; whereas, in other cases, one always loses what another gains: and so it is in all kinds of jobbing transactions, founded upon the fluctuation of prices one to another.

In all probability, the time is not very distant, when the European states, awake at length to their real interests, will renounce the costly rights of colonial dominion, and aim at the independent colonisation of those tropical regions nearest to Europe; as of some parts of Africa. The vast cultivation of what are called colonial products, that would ensue, could not fail to supply Europe in the greatest abundance, and probably at most moderate prices. Such merchants as shall then have stock on hand, purchased at the old prices, certainly will make a loss upon that stock; but their loss will be a clear gain to the consumer, who will for a time enjoy this kind of produce, at a price inferior to the charge of production; the merchants will gradually replace their dear-bought produce, by other of equal quality, raised with superior intelligence; and the consumer will then reap the advantage of superior cheapness and multiplied enjoyment, with no loss to any body;

for the merchant will both buy and sell cheaper ; and human industry will have made a rapid stride, and opened a new road to affluence and abundance.\*

\* The vast means at the disposal of Napoleon might have been successfully directed to this grand object; and then he would have left the reputation of having contributed to civilize, enrich, and people the world; and not of having been its scourge and devastator. When the Barbary shore shall be lined with peaceful, industrious, and polished inhabitants, the Mediterranean will be an immense lake, furrowed by the commerce of the wealthy nations, peopling its shores on every side.

## CHAP. IV.

## OF NOMINAL VARIATION OF PRICE, AND OF THE PECULIAR VALUE OF BULLION AND OF COIN.

IN treating of the elevation and depression of the price of commodities, although value has been expressed in money, no notice has been taken of the value of money itself; which, to say the truth, plays no part in real, or even in relative variation of the price of other commodities. One product is always ultimately bought with another, even when paid for in the first instance in money. When the price of wool is doubled, it is purchased with twice the quantity of every other commodity, whether the exchange be made directly, or through the intermediate agency of money. The baker, who could have bought 1 lb. of wool with 6 lbs. of bread, or, with its price in money, say 1 *fr.*, will be obliged to sacrifice 12 lbs. of bread to obtain the 2 *fr.* necessary to purchase 1 lb. of wool at its advanced price. But, if it be proposed to compare together the relative value, not of stockings, meat, sugar, wool, bread, &c., but of any one of those articles with that of money itself, we shall find, that money, like all other commodities, may undergo, and often has, in fact, undergone a real variation; that is to say, a variation in the charges

of its production; and a relative one, that is to say, a change of value, in comparison with other products.

Since the discovery of the American mines, silver, having fallen to about a fourth of its former value, has lost three-fourths of its relative value to all other products, whose price has, meanwhile, remained stationary; as to that of corn, for instance; consequently, one must give 4 oz. of silver for 1 *setier* of wheat, which, in the year 1500, was to be had for 1 oz. or thereabout. A commodity, which, since that period, may have fallen to half its price, while silver was falling to one quarter, will, therefore, have doubled its relative value to silver; for this commodity then cost 1 oz., and would now be worth 4 oz. of silver, had it not fallen itself in value; but, having itself lost one half its value, it is sold for but 2 oz.; that is to say, for twice as much silver as at the former period.

Such is the effect of real and of relative variation in the price of silver. But, independently of these variations, there have been vast alterations in the denomination given, at different periods during the interim, to the same quantity of pure metal, which should make us place very little reliance on the accuracy of our estimate of real and relative variation.

In 1514, an ounce of silver would purchase 1 *setier* of wheat, which is now worth 4 oz.; this was a relative variation of silver to wheat.

This quantity of silver then was denominated 30 *sous* \*; and, had the same quantity of silver still preserved the same denomination, 4 oz. would now be called 120 s. or 6 *fr.* Thus, wheat at 6 *fr.* the *setier* would have risen in relation to silver, or silver have fallen in comparison with wheat. There would, however, have been no *nominal* variation. But 4 oz. of silver are now denominated 24 *fr.* instead of 6 *fr.*; so that there has been a nominal, as well as a relative variation, — a mere verbal alteration. The real and relative variation has been in the ratio of 4 to 1; but the nominal value of money has declined in the ratio of 16 to 1 since 1514.

It is obvious, therefore, that one cannot form an idea of the value of a commodity from its estimate of money price, except during a space of time, and within a space of territory, in which neither the denomination of the coin, nor the value of its material, has undergone any change; else the valuation will be merely nominal, and convey no fixed idea of value whatever. To say that the *setier* of wheat sold for 30 *sous* in 1514, without explaining the then value of 30 *sous*, is giving us a price, that conveys either no idea at all, or a fallacious one if it be meant to affirm, that the *setier* of wheat was then worth 30 *sous* of present money. In comparing values, the denomination of coin is useful only inasmuch as it designates the

\* *Traité Historique*, by *Leblanc*; and *Essai sur les Monnaies*, by *Dupré de Saint Maur*.



quantity of pure metal contained in the sum specified. It may serve to denote the quantity of the metal; but can never serve as an index of value at any distance of time, or of place.

It is scarcely necessary to point out the effects of an alteration in the quantity of metal, to which a fixed denomination is given, upon national and individual property. Such an expedient can neither increase nor diminish the real, or even the relative value, either of the metal or of any other commodity. If 1 oz. of silver be struck into two crowns instead of one, two crowns will be paid wherever one was given before; that is to say, 1 oz. of silver will be given in either case; so that the value of silver will not have varied. But, when a sale has been made on credit for a given time, and payment stipulated in crowns, the seller may be liable to receive  $\frac{1}{2}$  oz. in each crown, instead of 1 oz. according to the intention of the contracting parties. This transfer of the old denomination to a different portion of metal will, therefore, unjustly benefit the one party, to the injury of the other. For every profit to one individual is a loss to another, unless it arise from actual production, or from greater economy in the charges of production, which is equivalent to actual production.

With regard to the peculiar and inherent value of bullion or of money, it originates, like that of all other commodities, in the uses to which it is applicable (*a*), as we have before observed. The

---

(*a*) Coupled with difficulty of attainment. T.

degree of that value is greater or less, according as its use is more or less extensive, its employment more or less necessary, and its supply more or less abundant.

Gold and silver, though the most common materials of money, cannot act as such while in an uncoined state; they are then not money, but the raw material of money. In the present condition of society, every individual cannot turn bullion into coin at his pleasure; and, therefore, coin may be of considerably higher value than bullion of the same standard of weight and quality, if the demand for coin be more urgent than the demand for bullion. But bullion can never be perceptibly higher in value than coin of equal weight and quality; because the latter may be readily converted into the former. The reason why coin so seldom much exceeds bullion in value is, that the avidity of governments, which are monopolists of the business of coinage, to profit by the difference between coin and bullion, has led them into the error of overstocking the market with their manufacture of coin. Thus it is, that coin is never depressed in value below, and rarely much elevated above bullion. Wherefore, the detail of the circumstances, that have hitherto been, or may hereafter be, the occasion of variations in the intrinsic value of gold or silver bullion, will serve at the same time to explain the variations of their value in the peculiar character of money.

It has already been noticed\*, that the ten-fold

\* *Suprà*, Book I. chap. 21. sect. 7.

supply of those metals, poured into the market in consequence of the discovery of America, did not effect a corresponding reduction of their value to  $\frac{1}{10}$  of what it had before been. For the demand for them was at the same period greatly enlarged by the contemporaneous increase of commerce, manufacture, and luxury. All the leading states of Europe had before been wholly destitute of industry : the circulation of products, whether as capital or for mere consumption, was very trifling in amount. Industry and productive energy made a sudden and simultaneous effort all over Europe ; and the commodity employed as the material of money, the agent of exchange, could not but become more in demand, upon the greater extent and frequency of mutual dealings. About the same time, the new route to the Eastern ocean, by rounding the Cape of Good Hope, was discovered, and drew adundance of adventurers into that direction ; the products of the East obtained a more general consumption ; but Europe, having no other products of her own to offer in exchange, was compelled to give the precious metals, of which India absorbed an immense quantity. Nevertheless, the multiplication of products tended to the increase and diffusion of wealth ; mere higlers grew up into opulent merchants, and the fishing towns of Holland already reckoned amongst their citizens individuals worth a million of *francs*. The costly objects, that none but princes could before aspire to possess, became attainable by the commercial classes ; and the increas-

ing taste for plate and expensive furniture created a greater demand for gold and silver to be employed on those objects. Beyond all question, the value of those metals would have prodigiously advanced, had not the mines of America been then opportunely discovered. (b)

Their discovery completely turned the tables. The rapid increase of the use and demand for gold and silver was far more than counterbalanced by the increasing supply, which completely glutted the market. Hence the great reduction of their value, which has been before observed upon, and which would have been far greater still, but for the concurrence of the circumstances just stated, whereby the value of silver, or its price in commodities at large, was checked in its fall, and limited to one-fourth, instead of being depressed in equal ratio with the increased supply, that is to say, to one-tenth.

This counteracting force must have escaped the

---

(b) The European world was certainly advancing in wealth at the epoch of the geographical discoveries of *Vasco de Gama* and *Columbus*: but that advance was prodigiously stimulated by the influx of metallic wealth, and the rapid advance of money-price. For the progressive elevation of that price must always operate to the benefit of the productive classes, for the reasons and in the manner pointed out, *suprà*, vol. i. p. 223. *in notis*. Wherefore, a more plentiful influx of the material of metallic money, in all nations employing such money, is more than an enlargement of mere metallic wealth; it is a stimulus to the progress of other wealth also. And *vice versâ* of the progressive depression of price. T.

penetration of Locke, or he would not have said, that the ten-fold increase of silver, since the year 1500, necessarily raised the price of commodities in a ten-fold degree. The few instances he might have cited in support of his position, were by no means sufficient to establish its accuracy; for a far greater number and variety of products might be mentioned, for which, as well as for silver, the demand compared with the supply had increased in the ratio of  $2\frac{1}{2}$  to 1, between 1500 and the date of the work of Locke in question.\* But, although this may be true of some particular products, it may not be so of abundance of others, for some of

\* The increased intensity of the demand for silver compared with its supply, consequent upon the discovery of America, is stated at  $2\frac{1}{2}$  to 1, because, but for this increase of demand, the tenfold supply would have reduced its value to one-tenth of what it had been previously to that event, and given to 100 oz. the value of 10 oz. only. But 100 oz. were only reduced to one-fourth of their former value, *i. e.* to the value of 25 oz.; which bears to 10 oz. the ratio of  $2\frac{1}{2}$  to 1. This could not have been the case, unless the demand for silver, compared with the supply, had advanced in that proportion. But the supply having increased tenfold in the same interval, if we would find the ratio of the actual increase of the demand for silver, whether for the purposes of circulation, of luxury, or of manufacture, since the first discovery of the American mines, we must multiply  $2\frac{1}{2}$  by 10, which will give 25. And probably this estimate will not exceed the truth, although 25 times may seem a prodigious advance. However, it would doubtless have been infinitely less considerable, but for the influx of supply from America; for the excessive dearness of silver would have greatly curtailed the use of it. Silver plate would probably be as rare as gold plate is now; and silver coin would be less abundant, because it would go further, and be of higher value.

which the demand has not advanced at all since 1500, while the supply of others has kept pace with the progressive demand, and consequently the ratio of their value remained stationary, with the exception of trifling temporary variations arising from causes of a nature wholly distinct; which, by the way, should teach us the necessity, in this science, of submitting insulated facts to the test of reasoning; for fact will not subvert theory, unless the whole of the facts applicable be taken into consideration, as well as the whole of the circumstances, that may vary the nature of those facts; which is hardly possible in any case.

The writers of the *Encyclopédie* have fallen into the same error, in stating \*, that a household establishment, wherein the silver plate should not have varied in quantity or quality from the middle of the sixteenth century to the present time, would be but one-tenth as rich in plate now as at the former period. Whereas, its comparative wealth would be reduced to one-fourth only; since, although the increase of supply has depressed that value to  $\frac{1}{1000}$ , the increase of demand, on the other hand, has raised it to  $\frac{25}{1000}$ . †

\* Art. *Monnoies*.

† If we are to believe Ricardo, the increase of demand has no effect upon value, which is determined solely by the cost of production. He seems not to have perceived, that it is demand that makes productive agency an object of appreciation. A diminution of the demand for silver bullion would throw all those mines out of work, of which the lower scale of price was not adequate to the charges of bringing the product to market.

It is deserving of attention, that the major part of the coin is in constant circulation, in the appropriate sense of the word, as defined above. In this respect it differs from most other commodities; for they are in circulation only so long as they are in the hands of the dealers, and retire from it as soon as transferred to the consumer. Money, even when employed as capital, is never desired as an object of consumption, but merely as one of barter; every act of purchase is an offer of money in barter, and a furtherance of its circulation. The only part withdrawn from circulation is what may be hoarded or concealed, which is always done with a view to its re-appearance. (c)

Gold or silver, in the shape of plate, embroidery, or jewellery, is in circulation only while in quest of, or in readiness for a purchaser; which it ceases to be, when it reaches the possession of the consumer.

The general use of silver amongst all the civilized nations of the world, coupled with its great facility of transport, makes it a commodity of such extensive demand, that none but a very large influx of fresh supply can sensibly affect its value. Thus, when Xenophon, in his essay on the revenues of Athens, urges his countrymen to give more assiduous attention to the working of the mines of Attica, by the suggestion, that silver does not, like

---

(c) This distinction is a mere subtlety. In respect to money, circulation is consumption; and the desire of it, for the purposes of transfer of value, is the desire to consume the peculiar utility of money. T.

other commodities, decline in value with the increase in quantity, he must be understood to say, that it does not perceptibly decline. Indeed, the mines of Attica were too inconsiderable in their product, to influence the value of the stock of that metal then existing in the numerous and flourishing states upon the borders of the Mediterranean Sea, and in Persia and India; between all which and Greece the commercial intercourse was sufficiently active, to keep the value of silver stationary in the Grecian market. The dribblet of silver, furnished by Attican metallurgy, was a mere rivulet trickling into an ocean of existing supply. It was impossible for Xenophon to foresee the influx of the American torrent, or to guess at the consequences of its irruption.

If silver were, like corn and other fruits of the earth, an object of human food and sustenance, the enlargement of the sources of its supply would not have lowered its value; for the strong impulse of the human race, towards the multiplication of their species to a level with the means of subsistence, would have made the demand keep pace with the increase of supply. The tenfold multiplication of corn would be followed by a tenfold increase of the demand for it; inasmuch as it would engender new mouths to consume it; and corn would maintain nearly the same average of relative value to other commodities.

This will explain, why the variations of the value of silver are both slow in operation, and considerable in amount. Their slowness is owing to



the universality of the demand, which prevents a moderate variation of supply from being sensibly felt; and their magnitude to the limited uses of the metal, which prevent the increase of demand from keeping pace with a rapid increase of supply.

Silver has utility for the purposes of plate, furniture, and ornament, as well as for those of money; and is the more copiously employed on those objects, in proportion to the degree of national wealth. Its use in the peculiar character of money is proportionate to the quantity of moveable and immoveable objects of property, that there may be to be circulated; wherefore, coin would be more abundantly required in rich than in poorer nations, were not the following circumstances to control this general rule.

1. The superior rapidity of circulation, both of money and commodities, in a state of national opulence, which makes a smaller quantity of money requisite, in proportion to the total of commercial dealings. The same sum in a rich country will effect perhaps ten successive operations of exchange in the same space of time, as one in a poor country. \* Wherefore, the multiplication of commodi-

\* In a poor country, after a dealer has disposed of his wares, he is sometimes a long while before he can provide himself with the returns he has in view; and, during the interval, the money-proceeds remain idle in his hands. Moreover, in a poor country, the investment of money is always difficult. Savings are slow and gradual, and are seldom turned to profitable account, until after a lapse of many years; so that a great deal of money is always lying by in a state of inaction.

ties to be circulated is not necessarily attended with a co-extensive increase of the demand for money. The business of circulation is extended; but the agent of circulation becomes more active and efficient.

2. In a state of national opulence, credit is a more frequent substitute for money. In Chap. 22. of the preceding book, it has been shown, how a portion of the national money may be dispensed with by the employment of convertible paper, without any resulting inconvenience.\* By this

\* Ricardo, whom I look upon as the individual in Europe the best acquainted with the subject of money, both in theory and in practice, has shown, in his *Proposals for an economical and secure Currency*, that, when the good government of the state may be safely reckoned upon, paper may be substituted for the whole of a metallic money; and a material possessed of no intrinsic value, by skilful management, be made to supplant a dear and cumbrous one, whose metallic properties are never called into play by the functions of money. (*d*)

---

(*d*) It is incorrect to say, that the metallic properties of gold or silver are not called into action for the purposes of money. Two of those properties, durability and divisibility, are, by our author's own showing, essential recommendations of the precious metals to the choice of a national government, as the material of national money. Neither does the proposal of Ricardo go so far, as to dispense with the presence of metal altogether; for it presumes a stock in reserve, though not in actual use, sufficient to ensure the actual convertibility of the paper. Yet Ricardo might have gone so far; for, with good management, an inconvertible paper may completely execute the functions of money better than a metallic medium; and instances of its successful use are familiar. Though the merits  
of

expedient, the use of metal money, and, consequently, the demand for silver for the purposes of money, is considerably diminished. Nor is convertible paper the sole expedient of substitution amongst an industrious and commercial people; every kind of private obligations and covenants, as well as sales on credit, transfers of money-credit, and even mere debtor and creditor accounts current, have an effect precisely analogous.

Thus the necessity, and consequently the demand, for metal money never advances in equal ratio with the progressive multiplication of other products; and it may be truly said, that the richer a nation is, the smaller is the amount of its coin, in comparison with other nations.

Were the quantum of the supply alone to determine the exchangeable value of a commodity, silver would stand to gold in the ratio of 1 to 45; for silver and gold are produced by metallurgy as 45 to 1.\* But the demand for silver is greater than for gold; its uses are both far more general and far more various; and thus its relative value is prevented from falling lower than 1 to 15.

---

\* *Humboldt. Essai Pol. sur la Nouvelle Espagne, 8vo. tom. iv. p. 222.*

of Ricardo are indisputable, perhaps our author might have hesitated to award the palm of theoretical and practical knowledge on this head, had he read with attention the Reports of the Committees of 1819, upon the Resumption of Cash Payments by the Bank of England. The evidence of A. Baring has placed him on a par, in this branch of political science, with the most eminent of modern names. T.

A portion of the demand for the precious metals is occasioned by their gradual destruction by use; for, although less subject to decay than most products, they are still perishable in a certain degree; and doubtless the wear, though slow, must be considerable upon the immense quantity of gold and silver in constant use, as well in the character of money, as in the various objects of spoons, forks, goblets, dishes, and jewellery of all sorts. There is likewise a large consumption in plating and gilding. Smith asserts, that the manufactures of Birmingham alone, in his time, worked up annually, as much as the worth of 50,000*l.* in these ways.\* A further allowance must be made for the consumption of embroidery, tissue, book-binding, &c., all which may be set down as finally lost to other purposes. Add to this the buried hoards, the knowledge of which dies with the possessor, and the quantity lost by shipwreck.

If the nations of the world go on increasing their wealth, as most of them certainly have done for the last three centuries, their want of the precious metals will progressively advance, as well in consequence of the gradual wear, which will be greater in proportion to their increasing use, as of the multiplication and increased aggregate value of other commodities, which will create a larger demand for the purposes of transfer and circulation.

\* *Wealth of Nations*, book i. c. 11. The manufacturing consumption of Birmingham and other towns has greatly increased since the date of that work.

If the produce of the mines do not keep pace with the increasing demand, the precious metals will rise in value, and less of them be given in exchange for other products in general. If the progress of mining shall keep pace with the advances of human industry, their value will remain stationary, as it seems to have done for the last two centuries; during which, the demand and supply have regularly advanced together.\* And, if the supply of

\* We are assured by *Humboldt*, that the produce of the mines of Mexico has, in the last 100 years, been increased in the ratio of 110 to 25; also, that such is the abundance of silver ore, in the chain of the Andes, that, reckoning the number of veins either worked superficially, or not worked at all, one would be led to imagine, that Europe has hitherto had a mere sample of their incalculable stores. *Essai Pol. sur la N. Espagne*, 8vo. tom. iv. p. 149.

The very slight and gradual depreciation of gold and silver, effected by their immense and increasing annual supply, is one amongst many proofs of the rapid and general advance of human wealth, whereby the demand is made to keep pace with the supply. Yet I am inclined to think, that their value, after remaining nearly stationary for a century, has, within the last thirty years, begun again to decline. The *setier* of wheat, Paris measure, which was for a long time, on an average, sold for 4 oz. of silver, has now risen to 4½ oz., and rents are raised upon every renewal of lease. All other things seem to be rising in the like proportion; which indicates, that silver is undergoing a depreciation of relative value. (e)

---

(e) This may have been true about the period of the first treaty of Paris in 1814. Since then, a variety of circumstances have occurred to turn the scale of variation to the opposite direction. 1. The interruption of American metallurgy, by the

those metals outrun the progress of general wealth, as it seems to be doing at this moment, they will fall in respect to other commodities at large. Metal-money will thereby be rendered more cumbersome; but the other uses of gold and silver will be more widely diffused.

It would be a long and a tedious task to expose all the false reasoning and erroneous views, originating in the perpetual confusion of the different kinds of variation, that it has cost so much time to analyze and distinguish. It is enough to put the reader in a condition himself to discover their fallacy, and estimate the tendency of measures avowedly directed to influence public wealth, by operating upon the scale of value.

---

struggle with Spain for political independence. 2. The increased demand for the precious metals, consequent upon the cotemporaneous attempt of England, North America, Russia, and other nations, to return to a metallic medium, or restore the convertibility of their paper. 3. The contraction of credit by the ruinous effect upon the productive classes of the attempt to return to convertibility, or to a metallic medium; for the less transfer is executed by credit, the more will money be necessary. Until these circumstances shall cease to operate, there seems little chance of an elevation of the scale of money-price, so desirable and conducive to the advance of general wealth and prosperity. T.

## CHAP. V.

OF THE MANNER IN WHICH REVENUE IS DISTRIBUTED  
AMONGST SOCIETY.

THE causes, which determine the value of things, and which operate in the way described in the preceding chapters, apply without exception to all things possessed of value, however perishable; amongst others, therefore, to the productive service yielded by industry, capital, and land, in a state of productive activity. Those, who have at their disposal any one of these three sources of production, are the vendors of what we shall here denominate productive agency; and the consumers of its product are the purchasers. Its relative value, like that of every other commodity, rises in direct ratio to the demand, and inverse ratio to the supply.

The wholesale employers of industry, or adventurers, as they have been called, are but a kind of brokers between the vendors and the purchasers, who engage a quantum of productive agency upon a particular product, proportionate to the demand

for that product. \* The farmer, the manufacturer, the merchant, is constantly occupied in comparing the price, which the consumer of a given product will and can give for it, with the necessary charges of its production; if that comparison determine him to produce it, he is the organ of a demand for all the productive agency applicable to this object, and thus furnishes one of the bases of the value of that agency.

On the other hand, the agents of production, animate and inanimate, land, capital, and human labour, are supplied, in larger or smaller quantity, according to the action of the various motives, that will be detailed in the succeeding chapters; thus forming the other basis of the value at which their agency is rated. †

\* It has been already seen, that the demand for every product is great, in proportion to the degree of its utility, and to the quantity of other products possessed by others, and capable of being given in exchange. In other words, the utility of an object, and the wealth of the purchasers, jointly determine the extent of the demand.

† In digesting the plan of this work, I hesitated for a long time, whether or no to place the analysis of value before that of production; to explain the nature of the quality produced, before entering upon the investigation of the mode of its production. But it appeared to me, that to make the foundation of value intelligible, it was necessary to have a previous knowledge of wherein the costs of production consist; and for that purpose, to have a just and enlarged conception of the agents of production, and of the service they are capable of yielding. (a)

---

(a) It is most unfortunate, that our author should have come to this determination, and thus have injured the plan of his work



Every product, when completed, repays by its value the whole amount of productive agency employed in its completion. A great part of this agency has been paid for before the entire completion of the product, and must have been advanced by somebody; other part has been remunerated on its completion; but the whole is always paid for ultimately out of the value of the product.

By way of exemplifying the mode, in which the value of a product is distributed amongst all that have concurred in its production, let us take a watch, and trace, from the commencement, the manner in which its smallest parts have been procured, and in which their value has been paid to every one of the infinite number of concurring producers.

In the first place we find, that the gold, copper, and steel, used in its construction, have been purchased of the miner, who has received in ex-

---

work, and left room for a variety of defects, that in its present form are hardly curable. Had he commenced with the limitation of his enquiry to objects possessed of value, and thence proceeded straight to the analysis of value, he would have been led, in the natural course, from the consideration of the ingredients of utility and difficulty of attainment, to the distinction between natural and artificial difficulty, and to the consideration of the human efforts to overcome that difficulty. This would have greatly abridged his labours, and given both simplicity and originality to his manner of conducting this interesting enquiry. T.

change for these products, the wages of labour, interest of capital, and rent paid to the landed proprietor.

The dealers in metal, who buy of the original producer, resell to those engaged in watch-making, and are thus reimbursed their advance, and paid the profits of their business into the bargain.

The respective mechanics, who fashion the different parts whereof a watch is composed, sell them to the watchmaker, who, in paying them, refunds the advance of their previous value, together with the interest upon that advance; and pays, besides, the wages of labour hitherto incurred. This very complex operation of payment may be effected by a single sum, equal to the aggregate of those united values. In the same way, the watchmaker deals with the mechanics that furnish the dial plate, the glass, &c., and such ornaments as he may think fit to add, — diamonds, enamel, or any thing he pleases.

Last of all, the individual purchaser of the watch for his own use refunds to the watchmaker the whole of his advances, together with interest on each part respectively, and pays him, besides, a profit upon his personal skill and industry.

We find, then, that the total value of the watch has been shared amongst all its producers, perhaps long before it was finished; and those producers are much more numerous than I have described, or than is generally imagined. Among them, probably, may be found the unconscious purchaser

himself, who has bought the watch, and wears it in his fob. For who knows but he may have advanced his own capital to a mining adventurer, or a dealer in metal; or to the director of a large factory; or to an individual who acts himself in none of these capacities, but has underlent to one or more such persons a part of the funds he has borrowed at interest from the identical consumer of the watch?

It has been observed, that it is by no means necessary for a product to be perfected for use, before the majority of its concurring producers can have been reimbursed that portion of value they have contributed to its completion; in a great many cases, these producers have even consumed their equivalent long before the product has arrived at perfection. Each successive producer makes the advance to his precursor of the then value of the product, including the labour already expended upon it. His successor in the ladder of production reimburses him in turn, with the addition of such value, as the product may have received in passing through his hands. Finally, the last producer, who is generally the retail dealer, is compensated by the consumer for the aggregate of all these advances, *plus* the concluding operation performed by himself upon the product.

The whole revenues of the community are distributed in one and the same manner.

That portion of the value produced, which accrues in this manner to the landed proprietor, is called the *profit of land*; which is sometimes

transferred to the farmer, in consideration of a fixed rent.

The portion assigned to the capitalist, or person making the advances, however minute and for however short a period of time, is called the *profit of capital*; which capital is sometimes lent, and the profit relinquished on condition of a stipulated interest.

The portion assigned to the mere mechanic or labourer is called the *profit of labour*; which is sometimes relinquished for a fixed salary.\* (b).

Thus, each class receives its respective share of the total value produced; and this share composes its revenue. Some classes receive their share piecemeal, and consume as fast as they receive it;

\* In the above instance of the watch, many of the artisans are themselves the adventurers in respect to their own industry; in which case their receipts are profits, not wages. If the maker exclusively of the chain himself buys the steel in its rude state, works it up, and sells the chain on his own account, he is the adventurer in respect to this particular part of the manufacture. A flax-spinner buys a few penny-worth of flax, spins it, and converts her thread into money. Part of this money goes to the purchase of more flax; this is her capital; another portion is spent in satisfying her wants; this is the joint profit of her industry and her little capital, and forms her revenue.

---

(b) Where slavery is tolerated, the slave is a mere machine, the revenue of which goes to the master, who defrays the charge of its maintenance. His productive agency is an object of appropriation, the recompence for which, like that of appropriated natural agency, is paid to the appropriator. T.

and these are the most numerous, for they comprise most of the labouring classes. The land-holder and the capitalist, who do not themselves turn their means to account, receive their revenue periodically, once or twice, or perhaps four times a year, according to the terms of the contract with the transferee. But, in whatever manner a revenue may be derived, it is always analogous in its nature, and must originate in actual value produced. Whatever value an individual receives in satisfaction of his wants, without having either directly or indirectly concurred in production of some kind or other, must be wholly either a gratuitous gift or a spoliation; there is no other alternative.

It is in this way, that the total value of products is distributed amongst the members of the community; I say, the *total* value, because such part of the whole value produced, as does not go to one of the concurring producers, is received by the rest. The clothier buys wool of the farmer, pays his workmen in every department, and sells the cloth, the result of their united exertion, at a price that reimburses all his advances, and affords himself a profit. He never reckons as profit, or as the revenue of his own industry, any thing more than the *net* surplus, after deducting all charges and outgoings; but those outgoings are merely an advance of their respective revenues to the previous producers, which are refunded by the *gross* value of the cloth. The price paid to the

farmer for his wool is the compound of the several revenues of the cultivator, the shepherd, and the landlord. Although the farmer reckons as *net* produce only the surplus remaining after payment of his landlord and his servants in husbandry, yet to them these payments are items of revenue, — rent to the one and wages to the other; to the one, the revenue of his land, to the other, the revenue of his industry. The aggregate of all these is defrayed out of the value of the cloth, the whole \* of which forms the revenue of some one or other, and is entirely absorbed in that way.

Whence it appears, that the term *net* produce applies only to the individual revenue of each separate producer or adventurer in industry; but that the aggregate of individual revenue, the total revenue of the community, is equal to the *gross* produce of its land, capital, and industry. Which entirely subverts the system of the economists of the last century, who considered nothing but the net produce of the land as farming revenue, and therefore concluded, that this net produce was all that the community had to consume; instead of closing with the obvious inference, that the whole

\* Even that portion of the gross value, which is absorbed in the maintenance or restoration of the vested capital or machinery. If his works need repairs, which are executed by the proper mechanic, the sum expended in them forms the revenue of that mechanic, and is to the clothier a simple advance, which is refunded, like any other, by the value of the product when completed.

of what has been created, may also be consumed by mankind \* (c)

If national revenue consisted of the mere excess of value produced above value consumed, this most absurd consequence would be inevitable; viz. that, where a nation consumes in the year the total of its annual product, it will have no revenue whatever. Is a man possessed of an income of 10,000 *fr.* a year to be said to have no revenue, because he may think proper to spend the whole of it?

The whole amount of profit, derived by an individual from his land, capital, and industry,

\* Part of the value created is due to natural agency, amongst which that of land is comprised. But, as stated above in Book I., land is treated as a machine or instrument, and its appropriator as the producer that sets it in motion; in like manner as the productive quality of capital is said to be the productive quality of the capitalist to whom it belongs. Mere verbal criticism is of little moment; when once the meaning is explained, it is the correctness of the idea, and not of the expression, that is material.

---

(c) Perhaps the real difference between the old economists and the new ones may not be so wide, as some people have imagined. They seem to have taken revenue in a more limited sense, than the new school has done; confining that denomination to that portion of the general produce, which remains as a surplus after defraying all the charges of human productive agency. Now it is evident, even by our author's own showing, that this whole surplus is the product of appropriated natural agency; for the concurrence of capital is that of human agency; capital being the reserved product of past exertion. T.

within the year, is called his *annual revenue*. The aggregate of the revenues of all the individuals, whereof a nation consists, is its national revenue.\* Its sum is the *gross* value of the national product, *minus* the portion exported; for the relation of one nation, is like that of one individual to another. The profits of an individual are limited to the excess of his incomings above his outgoings; which outgoings, indeed, form the revenue of other persons, but, if those other persons be foreigners, must be reckoned in the estimate of the revenue of the respective nations they may belong to. Thus, for instance, when a consignment of ribbons is made to Brazil to the amount of 10,000 *fr.* and the returns received in cotton, in estimating the resulting product to France from this act of dealing, the export made to Brazil in payment of the cotton must be deducted. Supposing the investment of ribbons to procure, say 40 bales of cotton, which, when they reach France, will fetch 12,000 *fr.*, 2000 *fr.* only of that sum will go to the revenue of France, and the residue to that of Brazil.

Did all mankind form but one vast nation or community, it would be equally true in respect to mankind at large, as to the internal product of each insulated nation, that the whole gross value

\* The term, national revenue, has been sometimes incorrectly applied to the financial receipts of the state. Individuals, indeed, pay their taxes out of their respective revenues; but the sum levied by taxation is not revenue, but rather a tax upon revenue, and sometimes unhappily upon capital too.



of the product would be revenue. But so long as it shall be necessary to consider the human race as split into distinct communities, having each an independent interest, this circumstance must be taken into the account. Wherefore, a nation, whose imports exceed its exports in value, gains in revenue to the extent of the excess; which excess constitutes the profit of its external commerce. A nation, that should export to the value of 100,000 *fr.* and import to the value of 120,000 *fr.* wholly in goods, without any money passing on either side, would make a profit of 20,000 *fr.*, in direct contradiction to the theory of the partisans of the balance of trade.\*

The voluminous head of perishable products consumed within the year, nay, often at the very moment of production, as in the case of all immaterial products, is nevertheless an item of national revenue. For what are they but so many values produced and consumed in the satisfaction of human wants, which are the sole characteristics of revenue?

The estimation of individual and of national

\* This profit arises from increase of value effected by the transport upon both the export and the import, by the time they have reached their destination respectively. (*d*)

---

(*d*) The increased value is referable to the additional difficulty of attainment surmounted in either case, which makes the imported commodity an object of more intense desire, and capable of yielding a higher degree of gratification. Its bare utility was the same before the transit. T.

revenue is made in the same way, as that of every collection of values, under whatever varieties of form ; as of the estate of a deceased person. Each product is successively valued in money or coin. For instance, the revenues of France are said to amount to 8,000,000,000 *fr.*; which by no means implies, that the commerce of France produces a return of that amount in specie. Probably a very small amount of specie, or none at all, may have been imported. All that is meant by the assertion is, that the aggregate annual products of the nation, valued separately and successively in silver coin, make the total value above stated. The only reason of making the estimate in money is, the greater facility acquired by habit of forming an idea of the exchangeable value of a specific amount of money, than of other commodities. Were it not for that facility, it would be quite as well to make the estimate in corn ; and to say, that the revenues of France amounted to 400,000,000 *hectolitres* of wheat, which, at 20 *fr.* the *hectolitre*, would make precisely the same amount.

Money facilitates the circulation from hand to hand of the values composing both revenue and capital ; but is itself not an item of annual revenue, not being an annual product, but a product of previous commerce or metallurgy, of a date more or less remote. The same coin has effected the circulation of the former year, possibly of the former century, and has all the while remained the same in amount ; nay, if the value of its material have declined in the interim, the nation will even have

lost upon its capital existing under the form of money; just in the same way as a merchant would lose upon the fall of price of the goods in his warehouses.

Thus, although the greater part of revenue, that is to say, of value produced, is momentarily resolved into money, the money, the quantity of silver coin itself, is not what constitutes revenue; revenue is value produced, wherewith that quantity of silver coin has been bought; and, as that value assumes the form of money but for a moment, the same identical pieces of money are made use of many times in the course of a year, for the purpose of paying or receiving specific portions of revenue. Indeed, some portions of revenue never assume the form of money at all. The manufacturer, that boards his workmen himself, pays part of their wages in food; so that this far greater portion of the mechanic's revenue is paid, received, and consumed, without having once taken the shape of money, even for an instant. In the United States of America, and in countries similarly circumstanced, it is not uncommon for the colonist to derive from the produce of his own estate, food, lodging, and raiment for the whole of his establishment; receiving and consuming his whole revenue in kind, without any intervention of money whatsoever.

I think I have said enough to warn the reader against confounding the money, into which revenue may be converted, with revenue itself; and to establish a conviction, that the revenue of an

individual, or of a nation, is not composed of the money received in lieu of the products of his or their creation, but is the actual product or its value, which, by a process of exchange, may undoubtedly arrive at its destination in the shape of a bag of crown pieces, or in any other shape whatsoever.

No value, whether received in the shape of money or otherwise, can form a portion of annual revenue, unless it be the product, or the price of a product, created within the year : all else is capital,—is property passing from one hand to another, either in exchange, as a gift, or by inheritance. For an item of capital, or one of revenue, may be transferred or paid any how, whether in the shape of personal or real, of moveable or immoveable property, or of money. But, no matter what shape it assume, revenue differs from capital essentially in this ; that it is the result or product of a pre-existing source, whether land, capital, or industry.

It has with some been a matter of doubt, whether the same value, which has already been received by one individual as the profit or revenue of his land, capital, or industry, can constitute the revenue of a second. For instance, a man receives 100 crowns in part of his personal revenue, and lays it out in books ; can this item of revenue, thus converted into books, and in that shape destined to his consumption, further contribute to form the revenue of the printer, bookseller, and all the other concurring agents in the production of the

books, and be by them consumed a second time? The difficulty may be solved thus. The value forming the revenue of the first individual, derived from his land, capital, or industry, and by him consumed in the shape of books, was not originally produced in that form. There has been a double production: 1. of corn perhaps by the land and the industry of the farmer, which has been converted into crown pieces, and paid as rent to the proprietor; 2. of books by the capital and industry of the bookseller. The two products have been subsequently interchanged one for the other, and consumed, each by the producer of the other; having arrived at the particular form adapted to their respective wants.

So likewise of immaterial products. The opinion of the lawyer, the advice of the physician, is the product of their respective talents and knowledge, which are their peculiar productive means. If the merchant have occasion to purchase their assistance, he gives for it a commercial product of his own converted into money. Each of them ultimately consumes his own revenue respectively, transformed into the object best adapted to his peculiar occasions.

## CHAP. VI.

OF WHAT BRANCHES OF PRODUCTION YIELD THE MOST  
LIBERAL RECOMPENSE TO PRODUCTIVE AGENCY.

THE aggregate value of a product, in the way just described, refunds to its different concurring producers the amount of their advances, with the addition, in most cases, of a profit, that constitutes their revenue. But the profits of productive agency are not of equal amount in all its branches; some yielding but a very scanty revenue for the land, capital, or industry, embarked in them; while others give an exorbitant return.

True it is, that productive agents always endeavour to direct their agency to those employments, in which the profits are the greatest, and thus, by their competition, have as much tendency to lower price, as demand has to raise it; but the effects of competition cannot always so nicely proportion the supply to the demand, as in every case to ensure an equal remuneration. Some kinds of labour are scantily supplied, in countries where people are not accustomed to them; and capital is often so sunk in a particular channel of production, that it can never be transferred to any other from that wherein

it was originally embarked. Besides, the land may stubbornly resist that kind of cultivation, whose products are in the greatest demand.

One cannot trace the fluctuation of profit on each particular occasion. A wonderful change may be effected by a new invention, a hostile invasion, or a siege. Such partial circumstances may influence or derange the operation of general causes, but cannot destroy their general tendency. No dissertation, however voluminous, could be made to embrace every individual circumstance, that, by possibility, may influence the relative value of objects; but one may specify general causes, and such as have an uniform activity; thereby enabling every one, when the particular occasion may present itself, to estimate the effect produced by the operation of partial and transient circumstances.

It may appear extraordinary at first sight, but will on enquiry be found generally true, that the largest profit is made, not on the dearest commodities or upon those which are least indispensable, but rather on those, which are the most common and least to be dispensed with. In fact, the demand for these latter is necessarily permanent; for it is stimulated by actual want, and grows with every increase of the means of production; inasmuch as nothing tends to increase population more, than providing the means of its subsistence. The demand for superfluities, on the contrary, does not expand with the increased power of producing

them. An extraordinary run, which, by the way, can never take place but in large towns, may raise the current, considerably above the natural price; that is to say, above the actual cost of production; or a change of fashion may again depress it infinitely below that point. Superfluities are, after all, but objects of secondary want even to the rich themselves; and the demand for them is limited to the very small number of persons that can indulge in them. When a casual calamity obliges individuals to reduce their expenditure, when their revenues are curtailed by the ravages of war, by taxation, or by natural scarcity, the first items of retrenchment are always the articles of least necessary consumption. And this may serve, perhaps, to explain, why the productive agency directed to the raising of superfluities, is generally worse paid than that otherwise employed.

I say generally, for it is possible enough that, in a great metropolis, where the demand for luxuries is more urgent than elsewhere, and the dictates of fashion, however absurd, more implicitly obeyed than the eternal laws of nature; where a man will, perhaps, be content to lose his dinner, so he may appear in the evening circle in embroidered ruffles, it is possible, that in such a place the price of gewgaws may sometimes very liberally reward the labour and capital devoted to their production. But, except in such particular cases, balancing one year's profits with another, and allowing for contingent losses, it has been ascertained, that the adventurers in the production of superfluities



make the most scanty profits, and that their workmen are the worst paid. The manufacturers of the finest laces in Normandy and Flanders are a very indigent set of people; and at Lyons, the workers of gold-embroidery are absolutely clothed in rags. Not but that very considerable profits have occasionally been derived from such articles. A hat-maker has been known to make a fortune by a fancy hat; but, taking all the profits made on superfluities, and deducting the value of goods remaining unsold, or, though sold, never paid for, we shall find that this class of products affords, on the whole, the scantiest profit. The most fashionable tradesmen are oftenest in the list of bankrupts.

Commodities of general use are attainable by a greater number of persons, and are in demand with almost every class of society. The chandelier is to be found only in the mansions of the rich; but the meanest cottage is furnished with the convenience of a candlestick: the demand for candlesticks is therefore regular, and always more brisk than that for chandeliers; and, even in the most opulent country, the total value of the candlesticks is far greater than that of the chandeliers.

The articles of human food are unquestionably those of most indispensable use; the demand for them recurs daily; and no occupations are so regular, as those which minister to human sustenance. Wherefore, it is they that yield the most certain profit, notwithstanding the effects of brisk

competition.\* The butchers, bakers, and porkmen, of Paris, are pretty sure to retire with a fortune sooner or later; indeed I have it from pretty good authority in such matters, that half the houses and real property sold in Paris and the environs, is bought up by tradesmen in those lines.

It is on this account, that individuals and nations, who understand their true interest, unless they have very cogent reasons for acting otherwise, apply themselves in preference to the production of what tradesmen call current articles. Mr. Eden, who, in 1706, negotiated on the part of Great Britain the treaty of commerce concluded by M. de Vergennes, went upon this principle, in stipulating the free import of the common English earthenware into France. 'The few dozens of plates we may sell you,' said the English agent, 'will be a poor set-off against the magnificent services of Sèvres porcelain we shall take of you.' This appeal to the vanity of the French agent was decisive. But, as soon as the English earthenware was admitted, its lightness, cheapness, and convenience and simplicity of form, recommended it to the most moderate establishments; its regular

\* I speak here of the adventurers, masters, or tradesmen; the mere labourer or journeyman benefits only, as it were, by re-action. The farmer, who is an adventurer in agriculture, employed in raising products for human sustenance, lies under disadvantages, that very much curtail his profits. His concerns are too much at the mercy of his landlord, and of the financial exactions of public authority, to say nothing of the vicissitudes of seasons, to be very gainful on the average.

import, in a short time, amounted to many millions, and continued increasing every year until the war. The exportation of Sèvres china, was a mere trifle in comparison.

The sale for current articles, besides being more considerable, is likewise more steady. A tradesman is never long in disposing of common linen shirting.

The examples I have selected from the class of manufacture might easily be paralleled in the agricultural and commercial branches. A much larger value is consumed in lettuces than in pine apples, throughout Europe at large; and the superb shawls of Cachemere are, in France, a very poor object of trade, in comparison with the plain cotton goods of Rouen.

Wherefore, it is a bad speculation for a nation to aim at the export of objects of luxury, and the import of objects of general utility. France supplies Germany with fashions and finery, which very few persons can make use of; and Germany makes the return in tapes and other merceries, in files, scythes, shovels, tongs, and other hardware of common use. But for the wines and oils of France, the annual product of a soil highly favored by nature, together with a few products of superior execution, France would derive less advantage from Germany than Germany from France. The same may be said of the French trade with the north of Europe. (*a*)

---

(*a*) The reasoning of this whole chapter is superfluous and inconclusive. Where value is left to find its natural level, one class

class of productive agency will, in the long run, be equally recompensed with another, presenting an equipoise of facility or difficulty, of repute or disrepute, of enjoyment or suffering, in the general estimation of mankind ; this he states fully in the next chapter. If our author means here to say merely, that a large class of productive agency will receive a larger portion of the general product as its recompense or revenue, or that agency in permanent employ will obtain a regular and permanent recompense, he has taken a very circuitous mode of expressing a position, which is indeed almost self-evident. The grand division of productive agency is into *corporeal* and *intellectual*; whereof the former is, on the average, the more amply rewarded by the rest of mankind, because the latter in some measure rewards itself. Thus, the profits of printing and bookselling are on the whole more liberal than those of authorship ; because the latter is partly paid in self-gratification, in vanity, or conscious merit. T.

## CHAP. VII.

## OF THE REVENUE OF INDUSTRY.

## SECT. I.

*Of the Profits of Industry in general.*

THE general motives, which stimulate the demand of products, have been above investigated.\* When the demand for any product whatever, is very lively, the productive agency, through whose means alone it is obtainable, is likewise in brisk demand, which necessarily raises its ratio of value: this is true generally of every kind of productive agency. Industry, capital, and land, all yield, *ceteris paribus*, the largest profits, when the general demand for products is most active, affluence most expanded, profits most widely diffused, and production most vigorous and prolific.

In the preceding chapter, we have seen, that the demand for some products is always more steady and active than for others. Whence we have inferred, that the agency directed to those particular products, receives the most ample remuneration.

\* Book I. c. 15.

Descending in our progress more and more into particular detail, we shall examine in this, and some following chapters, in what cases the profits of industry bear a greater or a less proportion to those of capital and of land, and *vice versâ*; together with the reasons why particular ways of employing industry, capital, or land, are more profitable than others.

To begin, then, with the comparison of the relative profits of industry, to those of capital and land, we shall find these bear the highest ratio, where abundance of capital creates a demand for a great mass of industrious agency; as it did in Holland before the revolution. Industrious agency was very dearly paid there; as it still is in countries like the United States of America, where population; and, consequently, the human agents of production, spite of their rapid increase, bear no proportion to the demands of an unlimited extent of land, and of the daily accumulation of capital by the prevalence of frugal habits.

In countries thus circumstanced, the condition of man is generally the most comfortable; because those, who live in idleness upon the profits of their capital and land, are better able to live on moderate profits, than those who live upon the profits of their own industry only; the former, besides the resource of living on their capital, can, when they please, add the profits of industry to their other revenue; but the mere mechanic or labourer cannot add at pleasure to the profits of his industry those of capital and land, of which he possesses none.

Proceeding next to compare the profits of different branches of industrious agency one with another, we shall find them greater or less in proportion, 1st. to the degree of danger, trouble, or fatigue, attending them, or to their being more or less agreeable; 2dly. to the regularity or irregularity of the occupation; 3dly. to the degree of skill or talent that may be requisite.

Every one of these causes tends to diminish the quantity of labour in circulation in each department, and consequently to vary its natural rate of profit. It is scarcely necessary to cite examples in support of propositions so very evident.

Among the agreeable or disagreeable circumstances attending an occupation, must be reckoned the consideration or contempt which it entails. Some professions are partly paid in honor. Of any given price, the more is paid in this coin, the less may be paid in any other, without reducing the ratio of price. Smith remarks, that the scholar, the poet, and the philosopher, are almost wholly paid in personal consideration. Whether with reason or from prejudice, this is not entirely the case with the professions of a comic actor, a dancer, and innumerable others; they must, therefore, be paid in money what they are denied in estimation. 'It seems absurd at first sight,' says Smith, 'that we should despise their persons, and yet reward their talents with the most profuse liberality. Whilst we do the one, however, we must of necessity do the other. Should the public opinion or prejudice ever alter with regard to such occu-

pations, their pecuniary recompense would quickly diminish. More people would apply to them, and the competition would quickly reduce the price of their labour. Such talents, though far from being common; are by no means so rare as is imagined. Many people possess them in great perfection, who disdain to make this use of them; and many more are capable of acquiring them, if any thing could be honorably made by them.\*

In some countries, the functions of national administration are requited at the same time with high honor and large emolument; but it is only so, where, instead of being open to free competition, like other occupations and professions, they are in the disposal of royal favor. A nation, awake to its true interest, is careful not to lavish this double recompense upon official mediocrity; but to husband its pecuniary bounty, where it is prodigal of distinction and authority.

Every temporary occupation is dearly paid; for the labourer must be indemnified as well for the time he is employed, as for that during which he is waiting for employment. A job coachmaster must charge more for the days he is employed, than may appear sufficient for his trouble and capital embarked, because the busy days must pay for the idle ones; any thing less would be ruin to him. The hire of masquerade dresses is expensive for the same reason; the receipts of the carnival must pay for the whole year. Upon a cross

\* *Wealth of Nations*, book i. c. 10.



road, an innkeeper must charge high for indifferent entertainment ; for he may be some days before the arrival of another traveller.

However, the proneness of mankind to expect, that, if there be a single lucky chance, it will be sure to fall to their peculiar lot, attracts towards particular channels a portion of industry disproportionate to the profit they hold out. ‘ In a perfectly fair lottery,’ says the author of the *Wealth of Nations*, ‘ those who draw prizes ought to gain all that is lost by those who draw blanks. In a profession, where twenty fail for one that succeeds, that one ought to gain all that should have been gained by the unsuccessful twenty.’ \* Now many occupations are far from being paid according to this rate. The same author states his belief, that, how extravagant soever the fees of counsellors at law of celebrity may appear, the annual gains of all the counsellors of a large town bear but a very small proportion to their annual expense ; so that this profession must, in great part, derive its subsistence from some other independent source of revenue.

It is hardly necessary to state, that these several causes of difference in the ratio of profit may act all in the same, or each in an opposite, direction ; or that, in the former case, the effect is more intense ; whereas, in the latter, the opposite action of one controls and neutralizes the other. It would be a waste of time to prove, that the agreeable circum-

\* *Wealth of Nations*, book i. c. 10.

stances of a profession may balance the uncertainty of its product; or that a business, that does not furnish constant occupation, and is moreover attended with danger, must be indemnified by a double increase of salary.

The last, and perhaps the principal cause of inequality in the profits of industry in general is, the degree of skill it may require.

When the skill requisite to any calling, whether of a superior or subordinate character, is attainable only by long and expensive training, that training must every year have involved a certain expense, and the total outlay forms an accumulated capital. In such case, its remuneration includes, over and above the wages of labour, an interest upon the capital advanced in the training, and an interest higher than the ordinary rate; for the capital advanced has been actually sunk, and exists no longer than the life of the individual. It should, therefore, be annuity interest. \*

\* Nay, even more than annuity interest on the sums spent in the education of the person who receives the salary; strictly speaking, it should be annuity interest upon the total sum devoted to the same class of study, whether it have or have not been made productive in its kind. Thus, the aggregate of the fees of physicians ought to replace not only what has been spent in their studies, but, in addition, all the sums expended in the instruction of the students, who may have died during their education, or whose success may not have repaid the care bestowed upon them; for the stock of medical industry in actual existence could never have been reared, without the loss of some part of the outlay devoted to medical instruction. However, there is little use in too minute attention to accuracy in the estimates of political economy, which are frequently found

It is for this reason, that all employments of time and talents, which require a liberal education, are better paid than those, which do not require less education. Education is capital which ought to yield interest, independent of the ordinary profits of industry.

There are facts, it is true, that militate against this principle; but they are capable of explanation. The priesthood is sometimes very ill paid \*; yet a religion, founded upon very complicated doctrines and obscure historical facts, requires in its ministers a long course of study and probation, and such study and probation necessarily call for an advance of capital; it would seem requisite, therefore, for the continued existence of the clerical profes-

at variance with fact, on account of the influence of moral considerations in the matter of national wealth, an influence that does not admit of mathematical estimation. The forms of algebra are therefore inapplicable to this science, and serve only to introduce unnecessary perplexity. Smith has not once had recourse to them.

\* I do not mean to include the superior orders of the clergy, whose benefices are extremely rich and well paid, though upon principles of state policy. (a)

---

(a) In estimating the recompense of a national priesthood, the total of its revenues, both in the higher and lower ranks, must be taken into the account. The gambling propensity of mankind, and that proneness to expect the lucky chances, which has been above adverted to, makes human industry always overflow those channels, in which there are some few great prizes, and an immensity of blanks; as in the church and the law, which have moreover the attraction of personal consideration, at least in the constitution of English society. T.

sion, that the salary of the minister should pay the interest on the capital expended, as well as the wages of his personal trouble, which the profits of the inferior clergy rarely exceed, particularly in catholic countries. It must, however, be ascertained, whether the public have not themselves advanced this capital in the maintenance and education of clerical students at the public charge; in which case, the public advancing the capital may find people enough to execute the duties for the mere wages of their labour, or a bare subsistence, especially where there is no family to be provided for.

When, besides expensive training, peculiar natural talent is required for a particular branch of industry, the supply of hands is still more limited in proportion to the demand, and the few, that are to be had, must consequently be better paid. A great nation will probably contain but two or three artists capable of painting a superior picture, or modelling a beautiful statue; if such objects, then, are much in demand, those few can charge almost what they please; and, though much of the profit is but the return with interest of capital advanced in the acquisition of their art, yet the profits it brings leave a very large surplus. (b) A celebrated

---

(b) From which, however, is to be deducted the average loss on the general balance of less successful competitors in the same line. It does not appear, that, in England at least, any allowance is to be made for personal consideration, which is seldom attached in a high ratio even to the greatest excellence in

painter, advocate, or physician, will have spent, of his own or his relations' money, 30,000 *fr.*, or 40,000 *fr.* at most in acquiring the ability from which his gains are derived; the interest of this sum at annuity rate is but 4000 *fr.*; so that, if he make 30,000 *fr.* by his art, there remains an annual sum of 26,000 *fr.* which is wholly the salary of his skill and industry. If every thing affording revenue is to be set down as property, his fortune at ten years' purchase may be reckoned 260,000 *fr.*, even supposing him not to have inherited a *sol.*

## SECT. II.

### *Of the Profits of the Man of Science.*

THE philosopher, the man who makes it his study to direct the laws of nature to the greatest possible benefit of mankind, receives a very small proportion of the products of that industry, which derives such prodigious advantage from the knowledge, whereof he is at the same time the depositary and the promoter. The cause of his disproportionate payment seems to be, that, to speak technically, he throws into circulation, in a moment, an immense stock of his product, which is one that suffers very little by wear; so that it is long before

---

in the department of pure art. There is no instance of a sculptor or a painter arriving at the honor of the peerage, which have been placed within the reach of successful commercial enterprise. T.

operative industry is obliged to resort to him for a fresh supply.

The scientific acquirements, without which abundance of manufacturing processes could never have been executed, are probably the result of long study, intense reflection, and a course of experiments equally ingenious and delicate, that are the joint occupation of the highest degree of chemical, medical, and mathematical skill. But the knowledge, acquired with so much difficulty, is probably transmissible in a few pages; and, through the channel of public lectures, or of the press, is circulated in much greater abundance, than is required for consumption; or rather, it spreads of itself, and, being imperishable, there is never any necessity to recur to those, from whom it originally emanated.

Thus, according to the natural laws, whereby the price of things is determined, this superior class of knowledge will be very ill paid; that is to say, it will receive a very inadequate portion of the value of the product, to which it has contributed. It is from a sense of this injustice, that every nation, sufficiently enlightened to conceive the immense benefit of scientific pursuits, has endeavoured, by special favors and flattering distinctions, to indemnify the man of science, for the very trifling profit derivable from his professional occupations, and from the exertion of his natural or acquired faculties.

Sometimes a manufacturer discovers a process, calculated either to introduce a new product, to

increase the beauty of an old one, or to produce with greater economy; and, by observance of strict secrecy, may make for many years, for his whole life perhaps, or even bequeath to his children, profits exceeding the ordinary ratio of his calling. In this particular case, the manufacturer combines two different operations of industry; that of the man of science, whose profit he engrosses himself, and that of the adventurer too. But few such discoveries can long remain secret; which is a fortunate circumstance for the public, because this secrecy keeps the price of the particular product it applies to above, and the number of consumers enabled to enjoy it below, the natural level.\*

It is obvious, that I am speaking only of the revenue a man of science derives from his calling. There is nothing to prevent his being at the same time a landed proprietor, capitalist, or adventurer, and possessed of other revenue in these different capacities.

### SECT. III.

#### *Of the Profits of the Master-agent, or Adventurer, in Industry.*

WE shall, in this section, consider only that portion of the profits of the master-agent, or adven-

\* Such of my readers as may imagine, that the sum of the production of a country is greater, when the scale of price is unnaturally high, are requested to refer to what has been said on the subject, *suprà*, Chap. 3. of this Book.

turer, which may be considered as the recompense of that peculiar character. If a master-manufacturer have a share of the capital embarked in his concern, he must be ranked *pro tanto* in the class of capitalists, and the benefits thence derived be set down as part of the profits of the capital so embarked.\*

It very seldom happens, that the party engaged in the management of any undertaking, is not at the same time in the receipt of interest upon some capital of his own. The manager of a concern rarely borrows from strangers the whole of the capital employed. If he have but purchased some of the implements with his own capital, or made advances from his own funds, he will then be entitled to one portion of his revenue in quality of manager, and another in that of capitalist. Mankind are so little inclined to sacrifice any particle of their self-interest, that even those, who have never analyzed these respective rights, know well enough how to enforce them to their full extent in practice.

\* Smith is greatly embarrassed by his neglect of the distinction between the profits of superintendency, and those of capital. He confounds them under the general head of profits of stock; and all his sagacity and acuteness have scarcely been sufficient to expound the causes, which influence their fluctuations. *Wealth of Nations*, book i. c. 8. And no wonder he found himself thus perplexed; their value is regulated upon entirely different principles. The profits of labour depend upon the degree of skill, activity, judgment, &c. exerted; those of capital, on the abundance or scarcity of capital, the security of the investment, &c.



Our present concern is, to distinguish the portion of revenue, which the adventurer receives as adventurer. We shall see by-and-by, what he, or somebody else, derives in the character of capitalist.

It may be remembered, that the occupation of adventurer is comprised in the second class of operations specified as necessary for the setting in motion of every class of industry whatever; that is to say, the application of acquired knowledge to the creation of a product for human consumption.\* It will likewise be recollected, that such application is equally necessary in agricultural, manufacturing, and commercial industry; that the labour of the farmer or cultivator on his own account, of the master-manufacturer and of the merchant, all come under this description; they are the adventurers in each department of industry respectively. The nature of the profits of these three classes of men, is what we are now about to consider.

The price of their labour is regulated, like that of all other objects, by the ratio of the supply, or quantity of that labour thrown into circulation, to the demand or desire for it. There are two principal causes operating to limit the supply, which, consequently, maintain at a high rate the price of this superior kind of labour.

It is commonly requisite for the adventurer himself to provide the necessary funds. Not that he must be already rich; for he may work upon

\* *Vide supra*, Book I. chap. 6.

borrowed capital ; but he must at least be solvent, and have the reputation of intelligence, prudence, probity, and regularity ; and must be able, by the nature of his connexions, to procure the loan of capital he may happen himself not to possess. These requisites shut out a great many competitors.

In the second place, this kind of labour requires a combination of moral qualities, that are not often found together. Judgment, perseverance, and a knowledge of the world, as well as of business. He is called upon to estimate, with tolerable accuracy, the importance of the specific product, the probable amount of the demand, and the means of its production : at one time he must employ a great number of hands ; at another, buy or order the raw material, collect labourers, find consumers, and give at all times a rigid attention to order and economy ; in a word, he must possess the art of superintendance and administration. He must have a ready knack of calculation, to compare the charges of production with the probable value of the product when completed and brought to market. In the course of such complex operations, there are abundance of obstacles to be surmounted, of anxieties to be repressed, of misfortunes to be repaired, and of expedients to be devised. Those who are not possessed of a combination of these necessary qualities, are unsuccessful in their undertakings ; their concerns soon fall to the ground, and their labour is quickly withdrawn from the stock in circulation ; leaving such only, as is successfully, that is to say, skilfully di-

rected. Thus, the requisite capacity and talent limits the number of competitors for the business of adventurers. Nor is this all: there is always a degree of risk attending such undertakings; however well they may be conducted, there is a chance of failure; the adventurer may, without any fault of his own, sink his fortune, and in some measure his character; which is another check to the number of competitors, that also tends to make their agency so much the dearer.

All branches of industry do not require an equal degree of capacity and knowledge. A farmer, who adventures in tillage, is not expected to have such extensive knowledge as a merchant, who adventures in trade with distant countries. The farmer may do well enough with a knowledge of the ordinary routine of two or three kinds of cultivation. But the science necessary for conducting a commerce with long returns is of a much higher order. It is necessary to be well versed, not only in the nature and quality of the merchandise in which the adventure is made, but likewise to have some notion of the extent of demand, and of the markets whither it is consigned for sale. For this purpose, the trader must be constantly informed of the price-current of every commodity in different parts of the world. To form a correct estimate of these prices, he must be acquainted with the different national currencies, and their relative value, or, as it is termed, the rate of exchange. He must know the means of transport, its risk and expense, the customs and laws of the people he corresponds

with ; in addition to all which, he must possess sufficient knowledge of mankind to preserve him from the dangers of misplaced confidence in his agents, correspondents, and connexions. If the science requisite to make a good farmer is more common than that which can make a good merchant, it is not surprising, that the labour of the former is but poorly paid, in comparison with that of the latter.

It is not meant by this to be understood, that commercial industry, in every branch, requires a combination of rarer qualifications than agricultural. The retail dealers for the most part pursue the routine of their business quite as mechanically as the generality of farmers ; and, in some kinds of cultivation, very uncommon care and sagacity are requisite. It is for the reader to make the application : the business of the teacher is, firmly to establish general principles ; whence it will be easy to draw a multitude of inferences, varied and modified by circumstances, which are themselves the consequences of other principles laid down in other parts of the subject. Thus, in astronomy, when we are told, that all the planets describe equal areas in the same space of time, there is an implied reservation of such derangements, as arise from the proximity of other planets, whose attractive powers depend on another law of natural philosophy ; and this must be attended to in the examination of the phenomena of each in particular. It is for him, who would apply general laws to particular and isolated cases, to make allowance

for the influence of each of those laws or principles, whose existence is already recognised.

In reviewing presently the profits of mere manual labour, we shall see the peculiar advantage, which his character of master gives to the adventurer over the labourer; but it may be useful to observe by the way the other advantages within reach of an intelligent superior. He is the link of communication, as well between the various classes of producers one with another, as between the producer and the consumer. He directs the business of production, and is the centre of many bearings and relations; he profits by the knowledge and by the ignorance of other people, and by every accidental advantage of production.

Thus, it is this class of producers, which accumulates the largest fortunes, whenever productive exertion is crowned by unusual success.

#### SECT. IV.

##### *Of the Profits of the operative Labourer.\**

SIMPLE, or rough labour may be executed by any man possessed of life and health;

\* By the term labourer, I mean, the person who works on account of a master-agent, or adventurer, in industry; for such as are masters of their own labour, like the cobbler in his stall, or the itinerant knife-grinder, unite the two characters of adventurer and labourer; their profits being in part governed by

wherefore, bare existence is all that is requisite to ensure a supply of that class of industry. Consequently, its wages seldom rise in any country much above what is absolutely necessary to subsistence; and the quantum of supply always remains on a level with the demand; nay, often goes beyond it; for the difficulty lies not in acquiring existence, but in supporting it. Whenever the mere circumstance of existence is sufficient for the execution of any kind of work, and that work affords the means of supporting existence, the vacuum is speedily filled up.

There is, however, one thing to be observed. Man does not come into the world with the size and strength sufficient to perform labour even of the simplest kind. He acquires this capability not till the age of fifteen or twenty, more or less, and may be regarded as an item of capital, formed of the growing annual accumulation of the sums spent in rearing him.\* By whom, then, is this accumu-

by the circumstances detailed in the preceding section, and partly by those developed in this. It is necessary also to premise, that the labour spoken of in the present section is that, which requires little or no study or training; the acquisition of any talent or personal skill entitles the possessor to a further profit, regulated upon the principles explained *suprà*, sect. 1. of this Chapter.

\* A full grown man is an accumulated capital; the sum spent in rearing him is indeed consumed, but consumed in a reproductive way, calculated to yield the product, man. (c)

---

(c) It is well known, that Smith considered the total stock of human agency to be the largest item in the catalogue of what he

lation effected? In general by the parents of the labourer, by persons of his own calling, or of one akin to it. In this class of life, therefore, the wages are somewhat more than is necessary for bare personal existence; they must be sufficient to maintain the children of the labourer also.

If the wages of the lowest class of labour were insufficient to maintain a family, and bring up children, its supply would never be kept up to the complement; the demand would exceed the supply in circulation; and its wages would increase, until that class were again enabled to bring up children enough to remedy the deficiency.

This would happen, if marriage were discouraged amongst the labouring class. A man without wife or children may afford his labour at a much cheaper rate, than one who is a husband and a father. If celibacy were to gain ground amongst the labouring class, that class would not only contribute nothing to recruit its own members, but would prevent others from supplying the deficiency. A temporary fall in the price of manual labour, arising from the cheaper rate, at which single men can afford to work, would soon be followed by a disproportionate rise; because the number of workmen would fall off. Thus, even were it not more to the

---

he calls, stock or capital. But it is better, on every account, to keep man distinct in our consideration from his products; human agency or industry is, therefore, most properly treated as the secondary source of products; nature, whereof he is himself a product, being the primary source. T.

interest of masters to employ married men, on account of their steadiness, they should do so, though at a greater charge, to avoid the higher price of labour, that must eventually recoil on them.

Every particular line or profession does not, indeed, recruit its own numbers with children nursed among its own members. The new generation is transferred from one class of life to another, and particularly from rural occupations to occupations of a similar cast in the towns; for this reason, that children are cheaper trained in the country: all I mean to say is, that the rudest and lowest class of labour necessarily derives from its product a portion sufficient, not merely for its present maintenance, but likewise for the recruiting of its numerical strength.\*

\* The evidence examined before a committee of the House of Commons of England, in 1815, leads to the conclusion, that the high price of food, at that period, had the effect of depressing, rather than elevating the scale of wages. I have myself remarked the similar effect of the scarcities in France, of the years 1811 and 1817. The difficulty of procuring subsistence either forced more labourers into the market, or exacted more exertion from those already engaged (*d*); thus occasioning a temporary glut of labour. But the necessary sufferings of the labouring class at the time must inevitably have thinned its ranks.

---

(*d*) This effect of the present low rate of wages, occasioned by the general diminution of employment, and by a combination of adverse circumstances, has been well observed upon in a recent article of the Edinburgh Review, No. lxxvi. Art. 5. The remedies there suggested are not entitled to the same unqualified approval. T.



When a country is on the decline, and contains less of the means of production, and less of knowledge, activity, and capital, the demand for rough and simple labour diminishes by degrees; wages fall gradually below the rate necessary for recruiting the labouring class; its numbers consequently decrease, and the offspring of the other classes, whose employment diminishes in the same proportion, is degraded to the step immediately below. On the contrary, when prosperity is advancing, the inferior classes not only fill up their own complement with ease, but furnish a surplus and addition to the classes immediately above them; and some, by great good fortune or brilliancy of talent, arrive at a still loftier eminence, and reach even at the highest stations in society.

The labour of persons not entirely dependent for subsistence on the fruits of labour can be afforded cheaper, than that of such as are labourer by occupation. Being fed from other sources, their wages are not settled by the price of subsistence. The female spinners in country villages probably do not earn the half of their necessary expenses, small as they are; one is perhaps the mother, another the daughter, sister, aunt, or mother-in-law of a labourer, who would probably support her, if she earned nothing for herself. Were she dependent for subsistence on her own earnings only, she must evidently double her prices, or die of want; in other words, her industry must be paid doubly, or would cease to exist.

The same may be said of most kinds of work

performed by females. They are in general but poorly paid, because a large proportion of them are supported by other resources than those of their own industry, and can, therefore, supply the work they are capable of at a cheaper rate, than even the bare satisfaction of their wants. The work of the monastic order is similarly circumstanced. It is fortunate for the actual labourers in those countries where monasticism abounds, that it manufactures little else but trumpery; for, if its industry were applied to works of current utility, the necessitous labourers in the same department, having families to support, would be unable to work at so low a rate, and must absolutely perish by want and starvation. The wages of manufacturing, are often higher than those of agricultural labour; but they are liable to the most calamitous oscillation. War or legislative prohibition will sometimes suddenly extinguish the demand for a particular product, and reduce the industry employed upon it to a state of utter destitution. The mere caprice of fashion is often fatal to whole classes. The substitution of shoe-ribbands for buckles was a severe blow to the population of Sheffield and Birmingham.\*

The smallest variations in the price of rude and simple labour have ever been justly considered as serious calamities. In classes of somewhat superior wealth, and talents, which are, in fact, a species of personal wealth, a diminution in the rate of profits

\* Malthus, *Essay on Popul.* ed. 5. b. iii. c. 13.

entails only a reduction of expense, or, at most, but trenches, in some measure, upon the capital those classes generally have at their disposal. But to those, whose whole income is a bare subsistence, a fall of wages is an absolute death-warrant, if not to the labourer himself, to part of his family at least.

Wherefore, all governments, pretending to the smallest paternal solicitude for their subjects' welfare, have evinced a readiness to aid the indigent class, wherever any unexpected event has accidentally reduced the wages of common labour below the level of the labourer's subsistence. Yet the benevolent intentions of the government have too often failed in their efficacy, for want of judgment in the choice of a remedy. To render it effective, it is necessary first to explore the cause of depression in the price of labour. If that depression be of a permanent nature, pecuniary and temporary aid is of no possible avail, and merely defers the pressure of the mischief. Of this nature are the discovery of new processes, the introduction of new articles of import, or the emigration of a considerable number of consumers. (*e*) In such

---

(*e*) The second and last of these circumstances are neither of them necessarily, universally, or permanently, followed by the depression of the rate of wages. When a new object of import does not supersede one of either home or foreign production, it must tend to raise the rate of wages, as it can only be procured by enlarged home production. The emigration of consumers, continuing to draw subsistence from the country they desert, leaves in activity an equal mass of human labour, though possibly

emergencies, a remedy must be sought in the discovery of some new and permanent occupation for the hands thrown out of employ, in the encouragement of new channels of industry, in the setting on foot of distant enterprises, the planting of colonies, &c.

If the depression be not of a permanent nature, if it be the mere result of good or bad crops, the temporary assistance should be limited to the unfortunate sufferers by the oscillation.

Governments or individuals, who attempt indiscriminate beneficence, will have the frequent mortification of finding their bounty unavailing. This may be more convincingly demonstrated by example than by argument.

Suppose in a vine district the quantity of casks to be so abundant, as to make it impossible to use them all. A war, or a statute levelled against the production of wine, may, perhaps, have caused many proprietors of vineyards to adopt a different cultivation of their lands; this is a permanent cause of surplus cooperage in the market. In ignorance of this cause, a general effort is made to assist the labouring coopers, either by purchasing their casks without wanting them, or by making up, in the shape of alms, the loss they have sus-

---

with some variation of employment. Besides, it may be temporary only, as that of the English to the continent, and of the Irish both to England and to the continent; who possibly might be brought back by an improvement of domestic finance or of domestic security and comfort. T.

tained in the diminution of their profits. Useless purchases, or eleemosynary aid, however, cannot last for ever; and, the moment they cease, the poor coopers will find themselves precisely in the same distressful situation, from which it was attempted to extricate them. All the sacrifice and expense will have been incurred with no advantage, other than that of a little delay in the date of their hopeless sufferings and privations.

Suppose, on the contrary, the cause of the superabundance of casks to be but temporary; to be nothing more, than the failure of the annual crop. If, instead of affording temporary relief to the working coopers, they be encouraged to remove to other districts, or to enter upon some other branch of industry, it will follow, that the next year, when wine may be abundant, there will be a scarcity of casks to receive it; the price will become exorbitant, and be settled at the suggestion of avarice and speculation; which, being unable themselves to manufacture casks, after the means of producing them have been thus destroyed, part of the wine will probably be spoiled for want of casks to hold it. It will require a second shock and derangement of the rate of wages, before the manufacture of the article can be brought again to a level with the demand.

Whence it is evident, that the remedy must be adapted to the particular cause of the mischief; consequently, the cause must be ascertained, before the remedy is devised.

Necessary subsistence, then, may be taken to

be the standard of the wages of common rough labour; but this standard is itself extremely fluctuating; for habit has great influence upon the extent of human wants. It is by no means certain, that the labourers of some cantons of France could exist under a total privation of wine. In London, beer is considered indispensable; that beverage is there so much an article of necessity, that beggars ask for money to buy a pot of beer (*f*), as commonly as in France for the purchase of a morsel of bread; and this latter object of solicitation, which appears to us so very natural, may seem impertinent to foreigners just arrived from a country, where the poor subsist on potatoes, manioc, or other still coarser diet.

What is necessary subsistence, depends, therefore, partly on the habits of the nation, to which the labourer may happen to belong. In proportion as the value he consumes is small, his ordinary wages may be low, and the product of his labour cheap. If his condition be improved, and his wages raised, either his product becomes dearer to the consumer, or the share of his fellow producers is diminished.

The disadvantages of their position are an effectual barrier against any great extension of the consumption of the labouring classes. Humanity, indeed, would rejoice to see them and their families

---

(*f*) The present depression of the labouring classes in England has lowered the tone of mendicity, if indeed it ever was raised to so high a key. T.

dressed in clothing suitable to the climate and season; housed in roomy, warm, airy, and healthy habitations, and fed with wholesome and plentiful diet, with perhaps occasional delicacy and variety; but there are very few countries, where wants, apparently so moderate, are not considered far beyond the limits of strict necessity, and therefore not to be gratified by the customary wages of the mere labouring class.

The limit of strict necessity varies, not only according to the more or less comfortable condition of the labourer and his family, but likewise according to the several items of expense, reputed unavoidable in the country he inhabits. Among these is the one we have just adverted to; namely, the rearing of children; there are others less urgent and imperative in their nature, though equally enforced by feeling and natural sentiment; such as the care of the aged, to which unhappily the labouring class are far too inattentive. Nature could entrust the perpetuation of the human species to no impulse less strong, than the vehemence of appetite and desire, and the anxiety of paternal love; but has abandoned the aged, whom she no longer wants, to the slow workings of filial gratitude, or, what is even less to be depended upon, to the providence of their younger years. Did the habitual practice of society imperatively subject every family to the obligation of laying by some provision for age, as it commonly does for infancy, our ideas of necessity would be somewhat enlarged, and the minimum of wages somewhat

raised. It must appear shocking to the eye of philanthropy, that such is not always the case. It is lamentable to think of the little providence of the labouring classes against the season of casual misfortune, infirmity, and sickness, as well as against the certain helplessness of old age. Such considerations afford most powerful reasons for forwarding and encouraging provident associations of the labouring class, for the daily deposit of a trifling saving, as a fund in reserve for that period, when age, or unexpected calamity, shall cut off the resource of their industry.\* But such institutions cannot be expected to succeed, unless the labourer be taught to consider these means of precaution as a matter of duty and necessity, and to hold the obligation to carry his savings to such places of deposit as equally indispensable with the payment of his rent or taxes: this new duty would doubtless tend in a slight degree to raise the scale of wages so as to allow of such frugality; but for that very reason it is desirable. How can such establishments thrive in countries where habit

\* Savings banks have succeeded in several districts of England, Holland, and Germany; particularly where the government has been wise enough to withhold its interference. The Insurance Company of Paris has set one on foot upon the most liberal principles, and with the most substantial guarantee. It is to be hoped, that the labouring classes in general will see the wisdom of placing their little savings in such an establishment, in preference to the hazardous investments they have often been decoyed into. There is besides a further national advantage in such a practice: viz. that of augmenting the general mass of productive capital, and consequently extending the demand for human agency.



and the interested views of the government conspire to make the labourer spend in the public-house not only what he might lay by, but frequently the very subsistence of his family, in which all his comforts and pleasures should be centered. The vain and costly amusements of the rich are not always justifiable in the eye of reason; but how much more disastrous is the senseless dissipation of the poor! The mirth of the indigent is invariably seasoned with tears; and the orgies of the populace are days of mourning to the philosopher.

Besides the reasons advanced in this and the preceding sections, to explain why the wages of the adventurer, even if he derive no profit as a capitalist, are generally higher than those of the mere labourer, there are others, not so solid or well-founded indeed, but such as nevertheless must not be overlooked.

The wages of the labourer are a matter of adjustment and compact between the conflicting interests of master and workman; the latter endeavouring to get as much, the former to give as little, as he possibly can; but, in a contest of this kind, there is on the side of the master an advantage, over and above what is given him by the nature of his occupation. The master and the workman are no doubt equally necessary to each other; for one gains nothing but with the other's assistance; the wants of the master are, however, of the two the less urgent and less immediate. There are few masters, but what could exist several months, or even years, without employing a single

labourer ; and few labourers that can remain out of work for many weeks, without being reduced to the extremity of distress. And this circumstance must have its weight in striking the bargain for wages between them.

Sismondi, in a late work\* published since the appearance of my third edition, has suggested some legislative provisions, for the avowed purpose of bettering the condition of the labouring classes. He sets out with the position, that the low rate of their wages accrues to the benefit of the adventurers and masters who employ them ; and thence infers, that, in the moment of calamity, their claim for relief is upon the masters, and not upon society at large. Wherefore, he proposes to make it obligatory upon the proprietors and farmers of land at all times to feed the agricultural, and upon the manufacturers to provide subsistence for the manufacturing labourer. On the other hand, to prevent the probable excess of population, consequent upon the certain prospect of subsistence to themselves and their families, he would give to their respective masters the right of preventing or permitting marriage amongst their people.

This scheme, however entitled to favorable consideration by the motive of humanity in which it originated, seems to me altogether impracticable. It would be a gross violation of the right of property, to saddle one class of society with the compulsory maintenance of another ; and it would be a violation still more gross, to give to one set of men a personal control over another ; for the free-

\* *Nouveaux Prin. d'Econ. Pol.* liv. vii. c. 9.

dom of personal action is the most sacred of all the objects of property. The arbitrary prohibition of marriage to one class is a premium to the procreation of all the rest. Besides, there is no truth in the position, that the low rate of wages redounds exclusively to the profit of the master. Their reduction, followed up by the constant action of competition, is sure to bring about a fall of the price of products; so that it is the class of consumers, in other words, the whole community, that derives the profit. And if it be so great, as to throw the subsistence of the labourers upon the public at large, the public is in a great measure indemnified by the reduced prices of the objects of its consumption.

There are some evils incident to the imperfection of the human species, and to the constitution of nature; and of this description is the excess of population above the means of subsistence. On the whole, this evil is quite as severely felt in a horde of savages, as in a civilized community. It would be unjust to suppose it a creature of social institutions, and a mere fallacy to hold out the prospect of a complete remedy; and, however it may merit the thanks of mankind to study the means of palliation, we must be cautious not to give a ready ear to expedients, that can have no good effect, and must prove worse than the disease itself. A government ought doubtless to protect the interests of the labouring classes, as far as it can do so without deranging the course of human affairs, or cramping the freedom of individual dealings; for those classes are less advantageously

placed than the masters, in the common course of things; but a wise ruler will studiously avoid all interference between individuals, lest it superadd the evils of administration to those of natural position. Thus, he will equally protect the master and the labourer from the effects of combination. The masters have the advantage of smaller numbers and easier communication; whereas, the labourers can scarcely combine, without assuming the air of revolt and disaffection, which the police is ever on the watch to repress. Nay, the partisans of the exporting system have gone so far as to consider the combinations of the journeymen as injurious to national prosperity, because they tend to raise the price of the commodities destined for export, and thereby to injure their preference in the foreign market, which they look upon as so desirable. But what must be the character of that policy, which aims at national prosperity through the impoverishment of a large proportion of the home producers, with a view to supply foreigners at a cheaper rate, and give them all the benefit of the national privation and self-denial?

One sometimes meets with masters, who, in their anxiety to justify their avaricious practices by argument, assert roundly, that the labourer would perform less work, if better paid, and that he must be stimulated by the impulse of want. Smith, a writer of no small experience and singular penetration, is of a very different opinion. Let us take his own words. "The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people.

The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer; and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low; in England, for example, than Scotland; in the neighbourhood of great towns, than in remote country places. Some workmen, indeed, when they can earn in four days what will maintain them through the week, will be idle the other three. This, however, is by no means the case with the greater part. Workmen, on the contrary, when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years.”\*

## SECT. V.

*Of the Independence accruing to the Moderns from the Advancement of Industry.*

THE maxims of political economy are immutable; ere yet observed or discovered, they were operating in the way above described; the same

\* *Wealth of Nations*, book i. c. 8.

cause regularly producing the same effect: the wealth of Tyre and of Amsterdam originated in a common source. It is society that has been subject to change, in the progressive advancement of industry.

The ancients were not nearly so far behind the moderns in agriculture, as in the mechanical arts. Wherefore, since agricultural products are alone essential to the multiplication of mankind, the unoccupied surplus of human labour was larger than in modern days. Those, who happened to have little or no land, unable to subsist upon the product of their own industry, unprovided with capital, and too proud to engage in those subordinate employments, which were commonly filled by slaves, had no resource but to borrow, without a prospect of the ability to repay, and were continually demanding that equal division of property, which was utterly impracticable. With a view to stifle their discontents, the leading men of the state were obliged to engage them in warlike enterprises, and, in the intervals of peace, to subsist them on the spoils of the enemy, or on their own private means. This was the grand source of the civil disorder and discord, which continually distracted the states of antiquity; of the frequency of their wars, of the corruption of their suffrages, and of the connexion of patron and client, which backed the ambition of a Marius and a Sylla, a Pompey and a Cæsar, an Antony and an Octavius, and which finally reduced the whole Roman people to the condition of servile.

attendants upon the court of a Caligula, a Heliogabalus, or some monster of equal enormity; whose grand condition of empire was the subsistence of the objects of his atrocious tyranny.

The industrious cities of Tyre, Corinth, and Carthage, were somewhat differently circumstanced; but they could not permanently resist the hostility of poorer and more warlike nations, impelled by the prospect of plunder. Industry and civilisation were the continual prey of barbarism and penury; and Rome herself, at length, yielded to the attack of Gothic and Vandalic conquerors.

Thus replunged into a state of barbarism, the condition of Europe, during the middle ages, was but a revival of the earliest scenes of Grecian and Italian history, in an aggravated form. Each baron, or great landholder, was surrounded by a circle of vassals or clients on his domain, ready to follow him in civil broils or foreign warfare.

I should trench upon the province of the historian, were I to attempt the delineation of the various causes, that have aided the progress of industry since that period; but I may be allowed merely to note, by the way, the great change that has been effected, and the consequences of that change. Industry has become a means of subsistence to the bulk of the population, independent of the caprice of the large proprietors, and without being to them a constant source of alarm: it is nursed and supported by the capital accumulated by its own exertions. The relation of client and

vassal has ceased to exist; and the poorest individual is his own master, and dependent upon his personal faculties alone. Nations can support themselves upon their internal resources; and governments derive from their subjects those supplies, which they were wont to dispense as a matter of favor.

The increasing prosperity of manufacture and commerce have raised them in the scale of estimation. The object of war is changed, from the spoliation and destruction of the sources of wealth, to their quiet and exclusive possession. For the last two centuries, where war has not been made to gratify the childish vanity of a nation or a monarch, the bone of contention has always been, either colonial sovereignty, or commercial monopoly. Instead of a contest of hungry barbarians against their wealthy and industrious neighbours, it has been one between civilized nations on either side; wherein the victor has shown the greatest anxiety to preserve the resources of the conquered territory. The invasion of Greece by the Turks, in the fifteenth century, appears to have been the final effort of pure barbarism arrayed against civilization. (*g*) The present preponderance of industry and civilized habits amongst the general mass of mankind seems to exclude all probability

---

(*g*) That is to say in Europe; for in Asia the contest is still continued; and the late brilliant successes of the British arms in that quarter have been achieved by the spirit of order and civilization over that of anarchy and spoliation. T.



of a recurrence of such calamitous events. Indeed, the improvement of military science takes away all fear of the result of such a conflict.

There is yet one step more to be made; and that can only be rendered practicable by the wider diffusion of the principles of political economy. They will some day have taught mankind, that the sacrifice of their lives, in a contest for the acquisition or retention of colonial dominion or commercial monopoly, is a vain pursuit of a costly and delusive good; that external products, even those of the colonial dependencies of a nation, are only procurable with the products of domestic growth; that internal production is, therefore, the proper object of solicitude, and is best to be promoted by political tranquillity, moderate and equal laws, and facility of intercourse. The fate of nations will thenceforth hang no longer upon the precarious tenure of political pre-eminence, but upon the relative degree of information and intelligence. Public functionaries will grow more and more dependent upon the productive classes, to whom they must look for supplies; the people, retaining the right of taxation in their own hands, will always be well governed; and the struggles of power against the current of improvement will end in its own subversion; for it will vainly strive against the dispensations of nature.

## CHAP. VIII.

## OF THE REVENUE OF CAPITAL.

THE service, rendered by capital in productive operations, establishes a demand for capital to be so employed, and enables the proprietors of it to charge more or less for that service.

Whether the capitalist thus employ his capital himself, or lend it to another for that purpose, it yields a profit, that is called the *profit of capital*, distinct from that of the industry employing it. In the former case, the profit obtained constitutes the *revenue* of his capital, which is added to that of his personal talent and industry, and often confounded with it. In the latter, the revenue of capital is precisely the *interest* paid for its use, the proprietor abandoning to the borrower the profit derivable from his personal employment of the capital lent.

As the investigation of the interest of capital lent will help to throw light on the subject of the profit derivable from its personal employment, it may be as well, in the first instance, to acquire a just idea of the nature and variation of interest.

## SECT. I.

*Of Loan at Interest.*

THE interest of capital lent, improperly called the interest of money, was formerly denominated usury, that is to say, rent for its use and enjoyment; which indeed was the correct term; for interest is nothing more than the price, or rent, paid for the enjoyment of an object of value. But the word has acquired an odious meaning, and now presents to the mind the idea of illegal, exorbitant interest only, a milder but less expressive term having been substituted by common usage.

Before the functions and utility of capital were known, it is probable, that the demand of rent for it by lenders was considered an abuse and oppression,—an expedient to favor the rich and prejudice the poor; nay, further, that frugality, the sole means of amassing capital, was regarded as parsimony, and deemed a public mischief by the populace, in whose eyes, the sums not spent by great proprietors were looked upon as lost to themselves. They could not comprehend, that money, laid by to be turned to account in some beneficial employment, must be equally spent; for, if it were buried, it could never be turned to account at all; that it is in fact spent in a manner a thousand times more profitable to the poor\*; and that a labouring man

\* *Vide infra*, Book III. on the subject of reproductive consumption.

is never sure of earning a subsistence, except where there is a capital in reserve for him to work upon. This prejudice against rich individuals, who do not spend their whole income, still exists pretty generally; formerly it was universal; lenders themselves were not altogether free from it, but were so much ashamed of the part they were acting, as to employ the most disreputable agents in the collection of profits perfectly just, and highly advantageous to society. (*a*)

It is, therefore, not surprising that the ecclesiastical, and at several periods, the civil code likewise, should have interdicted loans at interest; and that, during the whole of the middle ages, through-

---

(*a*) The popular prejudice on this head was perhaps not so unreasonable, as may at first sight appear. It does not seem, that there was ever any odium attached, in any age, to accumulation of capital for great or beneficial purposes; for the construction of bridges, churches, canals, and the like: on the contrary, munificence of this kind, whether private or public, has ever commanded the applause of mankind. But mere accumulation was formerly effected upon a very different plan, from that pursued in modern times; it resembled the hoarding of a Christophe, or of an Ali Pasha; the effect of which must be injurious to the productive classes, inasmuch, as it withdraws from useful employment a large portion of the metallic agent of circulation, and tends to the reduction of money prices, which is always calamitous to those classes, for reasons above adverted to. Book I. p. 222. *in notis*. And the re-appearance of these hoards, in the shape of loans, which might have been beneficial, if made for productive purposes, was less so in the case of loans to spend-thrift proprietors, with a view of swelling the hoard by the addition of its barren earnings of interest. T.

out the larger states of Europe, this traffic should have been reputed infamous, and abandoned to the Jews. The little manufacturing or commercial industry of those days was kept alive by the scanty capital of the dealers and mechanics themselves; and agricultural industry, which was pursued with somewhat better success, was supported by the advances of the lords and great proprietors, who employed their serfs or retainers on their own account. Loans were contracted for, not with a view of profitably employing the money, but merely to satisfy some urgent want; so that the exaction of interest was profiting by a neighbour's distress; and it may easily be conceived, that a religion, founded on the principle of fraternal love, as the Christian religion is, must disapprove a calculating spirit, that even now is a stranger to generous bosoms, and repugnant to the common maxims of morality. Montesquieu \* attributes the decline of commerce to this proscription of loans at interest; which was undoubtedly one cause, although indeed it was one amongst many.

The progressive advance of industry has taught us to view the loan of capital in a different light. In ordinary cases, it is no longer a resource in the hour of emergency, but an agent, an instrument, which may be turned to the great benefit, as well of society, as of the individual. Henceforward, it will be reckoned no more avaricious or immoral to take interest, than to receive rent for land, or

\* *Esprit des Lois*, liv. xxi. c. 20.

wages for labour ; it is an equitable compensation adjusted by mutual convenience ; and the contract, fixing the terms between borrower and lender, is of precisely the same nature, as any other contract whatsoever.

In ordinary cases of exchange, however, the transaction is ended as soon as the exchange is completed ; whereas, in the case of a loan, there remains to be calculated the risk the lender incurs of never recovering the whole, or at least a part, of his capital. This risk is practically estimated, and indemnified by some addition of interest, in the nature of a premium of insurance. Whenever there happens to be a question about the interest of advances, a careful distinction should be made between these, its two component parts ; otherwise, there is always danger of error ; and individuals, or even the agents of public authority, will be apt to involve themselves in useless and disastrous operations.

Thus, the practice of usury has been uniformly revived, whenever it has been attempted to limit the rate of interest, or abolish it altogether. The severer the penalties, and the more rigid their exaction, the higher the interest of money was sure to rise ; and this was what might naturally have been expected ; for the greater the risk, the greater premium of insurance did it require to tempt the lender. At Rome, while the republican form of government lasted, the interest of money was enormous, as it was natural to suppose, even if it were not a matter of history. The debtors, who were

always the plebeians, were continually threatening their patrician creditors. The laws of Mahomet have prohibited loan at interest; and what is the consequence in the Moosulman dominions? Money is lent at interest, but the lender must be indemnified for the use of his capital, and, moreover, for the risk incurred in the contravention of the law. It was the same in Christian countries, so long as loan at interest was illegal; and where the necessity of borrowing enforced the toleration of the practice amongst the Jews, such were the humiliation, oppression, and extortion, to which, on one pretext or another, that nation was exposed on this score, that nothing short of a very heavy rate of interest could indemnify for such repeated loss and mortification. Letters patent of the French king John, bearing date in the year 1360, are now extant, which authorise the Jews to lend on pledges at the rate of 4 *deniers* per week for every *livre* of twenty *sous*, which is more than 86 per cent. per ann.; but, in the year following, the same monarch, though recorded as one of the most scrupulous performers of his royal word, that our annals can boast of, caused the quantity of pure metal contained in the coin to be reduced; so that the lenders no longer received back a value equal to what they had lent.

This explanation will alone suffice to justify the very heavy interest demanded, without at all taking into calculation; that, at a period, when loans were negotiated, not to forward industrious enterprises, but to support war, to feed extravagance,

and to further the most hazardous projects; at a period, when laws were powerless, and lenders unable legally to enforce their claims against their debtors, it required a very ample premium to cover the risk of non-payment. In fact, the premium of insurance absorbed the far greater part of what passed under the name of interest, or usury; and the actual *bonâ fide* interest, the rent for the use of capital lent, was reduced to a very trifle; for, though capital was scarce, there is reason to suppose, that productive occupation was still more so. Of the 86 per cent. interest paid in the reign of king John, perhaps not more than 3 or 4 per. cent. was the equivalent for the productive service of the capital advanced; for all productive labour is better paid now, than it was in those days; and even now a-days the rent of capital can scarcely be reckoned higher than 5 per cent.; the excess is so much premium of insurance for the lender's indemnity. (b)

Thus, the ratio of the premium of insurance,

---

(b) Our author seems greatly to under-rate the value of the productive agency of capital, at the period in question. In fact, as loans were then very rarely made for productive purposes, the only way of approximating to accuracy is, by first enquiring into the rate of profits then commonly made by the capitalist retaining and employing his own capital, and then distinguishing the portion of those profits accruing to his personal industry, and to the agency of his capital respectively. The very scarcity of capital must have made its returns more ample at that period than at the present. T.



which frequently forms the greater portion of what is called interest, depends on the degree of security presented to the lender; which security consists chiefly in three circumstances:—1. The safety of the mode of employment: 2. The personal ability and character of the borrower: 3. The good government of the country he happens to reside in. We have just seen, how much the hazardous purposes, to which loans were applied in the middle ages, enhanced the premium of insurance necessarily paid to the lender. It is the same with all perilous investments of capital, with a difference in degree only. The Athenians of old made a distinction between marine interest, or interest of capital afloat, and land interest, or interest on shore; the former was rated at 30 per cent., more or less, per voyage, whether to the Euxine, or to any port in the Mediterranean.\* As two such voyages were accomplished with ease in the year, the annual marine interest may be rated at about 60, while other interest was commonly not more than 12 per cent. Supposing that, of the 12 per cent., one half was assigned to cover the risk of the lender; we shall find, that the mere annual rent or hire of money at Athens, was 6 per cent. only, which I should still think above the mark; yet, supposing it to have been so high, the marine interest allowed 54 per cent for insurance of the lender's risk. So enormous a premium must be attributed in part to the barbarous habits then pre-

\* *Voyage d'Anacharsis*, tom. iv. p. 371.

valent among the nations with whom they traded; for different nations were then much greater strangers to each other, than they are at present, and commercial laws and customs much less respected; and in part to the imperfection of the art of navigation. There was more danger in a voyage from the Piræus to Trapezus, though but three hundred leagues distant, than there is now in one from L'Orient to China, which is a distance of seven thousand. Thus, the improvement of geography and navigation have contributed to lower the rate of interest, and ultimately to reduce the cost price of products. Loans are sometimes contracted, not for a productive investment, but for mere barren consumption. Transactions of this kind should always awaken the suspicion of the lender, inasmuch as they engender no means of re-payment of either principal or interest. If charged upon a growing revenue, they are, at all events, an anticipation of that revenue; and if charged upon any of the sources of revenue, they afford the means of dissipating the particular source itself. If there be the security neither of revenue nor of its source, they barely place the property of one person at the wanton disposition of another.

Among the circumstances incident to the nature of the employment, which influence the rate of interest, the duration of the loan must not be forgotten; *ceteris paribus*, interest is lower when the lender can withdraw his funds at pleasure, or at least in a very short period; and that both on account of the positive advantage of having capital

readily at command, and because there is less dread of a risk, which may probably be avoided by timely retreat. The facility of immediate negotiation, presented by the transferable bills and notes of modern governments, is one principal cause of the low rate of interest, at which many of those governments are enabled to borrow. (c) This interest, in my opinion, hardly covers the risk of the lender ; but he always reckons on the certainty of selling his securities before the moment of catastrophe, should any serious alarm be entertained. The public securities, that are not negotiable, bear a much higher interest ; such, for instance, as the old personal annuities in France, which the government generally sold at the rate of 10 per cent, a high average for young lives. Wherefore, the Genevese acted with excellent judgment, in settling their annuities on thirty lives of well-known public characters. By this means, they made their annuities negotiable, and so contrived to get the rate of interest of securities not negotiable, upon securities that were negotiable.

About the vast influence of personal character and ability in the borrower, in determining the

---

(c) This is strongly illustrated by the funded and the unfunded debt of Great Britain. The former, in the shape of exchequer and treasury bills, bears a rate of interest considerably lower than the latter, in the shape of stock ; because the bills are convertible readily at par ; whereas, the usual rise and fall of the capital stock is much greater, than the interest upon it for short periods. T.

amount of the premium of insurance to the lender, there can be no doubt whatever: they are the basis of what is called, *personal credit*; and it is hardly necessary to say, that a person in good credit borrows at a cheaper rate, than another who has none.

Next to approved integrity and probity, what most contributes to the credit of an individual or of a Government is, past punctuality in performance of engagements; this is, in fact, the very corner-stone of credit, and one that seldom proves insecure. But why, it may be asked, may not a man, who has never yet made default in his payments, fail the very next moment? There is very little probability that he will, especially if his punctuality be of long standing. For, to have been ever punctual in his payments, he must either have always been possessed of value in hand sufficient to meet demands upon him; that is to say, he must have been a man of property over and above his debts, which is the best possible ground of trust; or else he must have managed matters so well, and have speculated with so much judgment and safety, as always to have had his returns arrive before the calls became due; thus evincing a degree of ability and prudence, which afford an excellent guarantee for his future punctuality. The converse of this is the reason, why a merchant, that has once failed or hesitated in the performance of his engagements, thenceforward loses his credit entirely.

Finally, the good government of the country,

where the debtor resides, reduces the risk of the creditor, and, consequently, the premium of insurance he is obliged to demand to cover that risk. Hence it is, that the rate of interest rises, whenever the laws and their administration do not ensure the performance of engagements. It is yet more aggravated, when they excite to the violation of them; as when they authorise non-payment, or do not acknowledge the validity of *bonâ fide* contracts.

The resort to personal restraint against insolvent debtors has been generally considered as injurious to the borrower; but is, on the contrary, much in his favor. Loans are made more willingly, and on better terms, where the rights of the lender are best secured by law. (*d*) Besides, the encourage-

---

(*d*) The personal restraint of the debtor has no where been carried to such extreme length as in England. Not only was a debtor at one time liable to imprisonment *pendente lite*, and before the debt was legally established, and that for the smallest sum; but the term of his imprisonment in execution after judgment was absolutely unlimited. The hardship, in both these particulars, was partially remedied before the erection of our insolvent code; and that code has still further alleviated the condition of the debtor. But the whole system is vitiated, and in a great measure neutralized, by total neglect of all measures for the prevention of insolvency *in limine*. The grand expedient is, publicity of property; which, in the first place, gives the creditor the means of estimating beforehand, and with more accuracy, the grounds and fair extent of his debtor's credit; and in the next enables him, in case of default, to resort to those means, instead of endeavouring to discover or extort them by personal restraint. Thus it is, that one error of policy is sure to engender another. T.

ment to accumulate capital is thereby enlarged ; wherever individuals mistrust the mode of investing their savings, there is a strong inducement to every one to consume the whole of his income ; and this consideration will, perhaps, help to explain a curious moral phenomenon ; namely, that irresistible avidity for excessive enjoyment, which is a common symptom in times of political turbulence and confusion. \*

However, while on the subject of the necessity of personal severity towards debtors, I cannot recommend the practice of imprisonment ; to confine a debtor is to command him to discharge his debts, and at the same time deprive him of the means of so doing. There seems more reason in the Hindu institution, giving the creditor the option of seizing the person of his insolvent debtor, and confining him at the creditor's own home to compulsory labour, for the creditor's benefit. † But, whatever be the means, whereby the public authority enforces the payment of debts, they must always be ineffective, if law be partially or capriciously administered. The moment a debtor is, or hopes to be, out of his creditor's reach, there is a risk to be run by the creditor, which is of value, and must be indemnified.

After having thus detached from the rate of

\* See the description of the plague at Florence, as given after *Boccacio* by *Sismondi*, in his admirable *Histoire des Républiques d'Italie*. A similar effect was observed at several of the most dreadful epochs of the French revolution.

† *Raynal, Histoire Philosophique.* tom. i.

bare interest all that is paid as premium of insurance to the lender against the risk of total or partial loss of his capital, it remains to consider that part, which is purely and simply interest; that is to say, rent paid for the utility and the use of capital.

Now this portion of the gross sum called interest is larger, in proportion as the supply of capital available for loans is less, and as the demand of capital for that specific object is greater; and again, that demand is the greater, in proportion to the more numerous and more lucrative employments of capital. Consequently, a rise in the rate of interest does not infallibly or universally denote, that capital is grown scarcer; for, possibly, it may be a sign, that its uses are multiplied. Smith has remarked this consequence upon the close of the very successful war on the part of England, which terminated with the peace of 1763.\* The rate of interest then advanced instead of declining; the important acquisitions of England had opened a new field for her commercial enterprise and speculation; capital was not diminished in quantity, but the demand for it was increased; and the rise of interest, which ensued, though, in most cases, a sign of impoverishment, was, in this, a consequence of the acquisition of new sources of wealth.

France, in 1812, experienced the opposite effect of a cause directly the reverse. A long

\* *Wealth of Nations*, book i. c. 9.

and destructive war, which had annihilated almost all external communication; exorbitant taxation; the ruinous system of licences; the commercial enterprises of the government itself; frequent and arbitrary alterations in the duties on import; confiscation, destruction, vexation; in fine, a system of administration uniformly avaricious and hostile to private interest, had rendered all enterprises of industry difficult, hazardous, and ruinous in the extreme. The aggregate capital of the nation was probably on the decline; but the beneficial employment of it became still more rare as well as dangerous; so much so, that interest never fell so low in France, as at that period; and, what is in general the sign of extreme prosperity, was then the effect of extreme distress.

These exceptions serve but to confirm the general and eternal law, that the more abundant is the disposable capital, in proportion to the multiplicity of its employments, the lower will the interest of borrowed capital fall. With regard to the supply of disposable capital, that must depend on the quantum of previous savings. On this head, I must refer to what I have before said upon the subject of the formation of capital.\*

\* *Suprà*, Book I. chap. 11. It has been remarked, that the rate of interest is usually somewhat lower in towns, than in country places. *Wealth of Nations*, book i. c. 9. The reason is plain. Capital is for the most part in the hands of the wealthy residents of the towns, or at least of persons, who resort to them for their business, and carry with them the commodity they deal in, *i. e.* capital, which they do not like to employ



If it be desired, that capital in search of employment, and industry in search of capital, should both be satisfied in the fullest manner, entire liberty of dealing must be allowed in all matters touching loan at interest. Disposable capital, being thus left to itself, will seldom remain long unemployed; and there is every reason to believe, that as much industry will be called into activity, as the actual state of society will admit.

But it is essential to pay strict attention to the meaning of the term, *supply of disposable capital*; for this alone can have any influence upon the rate of interest; it is only so much capital, as the owners have both the power and the will to dispose of, that can be said to be in circulation. A capital, already vested and engaged in production or otherwise, is no longer on the market, and therefore no longer forms a part of the total circulating capital; its owner is no longer a competitor of

employ at much distance from their own inspection. Towns, and particularly great cities, are the grand markets for capital, perhaps even more than for labour itself; accordingly, labour is there comparatively dearer than capital. In the country, where there is little unemployed capital, the contrary is observable. Thus, usury is more prevalent in country places; it would be less so, if the business of lending were more safe and in better repute. (e)

---

(e) These remarks are just in the main; but the advantage of town over country, in this particular, may be reduced to a very trifle, by the ease of internal communication. In England the difference is scarcely perceptible. T.

other owners in the business of lending, unless the employment be one, from which capital may be easily disengaged and transferred to other objects. Thus, capital lent to a trader, and liable to be withdrawn from his hands at short notice, and, *a fortiori*, capital employed in the discount of bills of exchange, which is one way of lending among commercial men, is capital readily disposable and transferable to any other channel of employment, which the owner may judge convenient.

Capital employed by the owner on his own account, in a trade that may be soon wound up, in that of a grocer for instance, stands nearly in the same predicament. The articles he deals in find at all times a ready market; and the capital thus employed, may be realized, repaid if lent, re-lent and re-employed in other trades, or applied to any other use. It is always either in actual circulation, or at least on the point of being so. Of all values, the one most immediately disposable is, that of money. But capital embarked in the construction of a mill, or other fabric, or even in a moveable of small dimensions, is vested capital, which, being no longer available for any other purpose, is withdrawn from the mass of circulating capital, and can no longer yield any other benefit, than that of the product wherein it has been vested. Nor should it be lost sight of, that, even though the mill or other fabric be sold, its value, as capital, is not by that means restored to circulation; it has merely passed from one proprietor to another. On the other hand, the disposable value, where-

with the buyer has made the purchase, is not thrown out of circulation, having merely passed from his into the seller's hands. The sale neither increases nor diminishes the mass of floating capital in the market.

Attention to this circumstance is essential to the forming a correct estimate of the causes, that determine the rate, as well of interest on capital, as likewise of profit accruing from capital employed, which we are about to consider presently.

It has been sometimes supposed, that capital is multiplied by the operation of credit. This error, though frequently recurring in works professing to treat of political economy, can only arise from a total ignorance of the nature and functions of capital. Capital consists of positive value vested in material substance, and not of immaterial products, which are utterly incapable of being accumulated. And a material product evidently cannot be in more places than one, or be employed by more persons than one, at the same identical moment. The works, machinery, utensils, provisions, and stock in hand, composing the capital of a manufacturer, may possibly be wholly borrowed; in which case, he will be acting upon a hired capital, and not on one of his own: yet, beyond all question, that capital can be made use of by no one else, so long as it remains within his control and management: the lender has parted with the power of otherwise disposing of it for the time. A hundred others might have equal security and credit to offer; but their applications

could not multiply the volume of disposable capital, and could have no other effect, than to prevent other capital from remaining idle and out of employ. \*

It is not to be expected, that I should here enter upon a computation of the motives of affection, consanguinity, generosity, or gratitude, which may occasionally give rise to the loan of capital, or influence the amount of interest demanded for it. Every reader must take upon himself to appreciate the influence of moral causes upon the laws of political economy, which alone we profess to expound.

To limit capitalists to the lending at a certain

\* *Vide suprâ*, Book I. chap. 10, 11. on the mode of employing, and on the transformation and accumulation of capital. What is here said does not militate against the positions laid down in Book I. chap. 22. on the representatives of money. A bill of exchange, with good names upon it, is only an expedient for borrowing of a third person actual and positive value, in the interim between the negotiation and the maturity of the bill. Bills and notes, payable on demand, or at sight, whether issued by the government, or by private banking-establishments, are a mere substitution of a cheap paper-agent of circulation, in the place of a costly and metallic agent. The monetary functions of the metal being executed by the paper, the former is set free for other objects; and, inasmuch as it is exchangeable for other commodities or implements of industry, a positive accession is made by the substitution to the national capital; but no further. The degree of the accession is limited strictly to the amount of value required for the business of circulation, and dispensed with by this expedient; which amount is a mere trifle, in comparison with the total value of the national capital.

fixed rate only, is to set an arbitrary value on their commodity, to impose a maximum of price upon it, and to exclude, from the mass of floating or circulating capital, all that portion, whose proprietors cannot, or will not, accept of the limited rate of interest. Laws of this description are so mischievous, that it is well they are so little regarded as they almost always are, the wants of borrowers combining with those of lenders, for the purpose of evading them; which is easily managed, by stipulating for benefits to the lender, not, indeed, bearing the name of interest, although really the same thing in the end. The only consequence of such enactments is, to raise the rate of interest, by adding to the risks, to which the lender is exposed, and against which he must be indemnified. It is somewhat amusing to find, that those governments, which have fixed the rate of interest, have almost invariably themselves set the example of breaking their own laws, by borrowing at higher than legal interest in their own case,

That interest should be fixed by law, is highly proper and necessary; but it should be fixed only in cases, where there is no previous agreement about it; as in the case of a legal recovery of a sum with interest. And, in such case, I think the interest fixed by law should be estimated at the lowest rate, that is usually paid by individuals; because the lowest rate is that paid by the safest investments. Now, it is quite consistent with justice, that the withholder of capital should restore it even with interest; but that is in the supposition, that it has

remained all the while in his possession ; which it cannot be supposed to have done, without his having invested it in the way the least hazardous, and consequently without his having drawn from it at least the lowest interest it would have afforded.

But this rate should not be denominated the legal interest, because the rate of interest ought no more to be restricted, or determined by law, than the rate of exchange, or the price of wine, linen, or any other commodity. And this is the proper place to expose a very prevalent error.

Capital, at the moment of lending, commonly assumes the form of money ; whence it has been inferred, that abundance of money is the same thing as abundance of capital ; and, consequently, that abundance of money is what lowers the rate of interest. Hence, the erroneous expressions used by men of business, when they tell us, that money is scarce, or that money is plentiful ; which, it must be confessed, are equally just and appropriate, as the very incorrect term, interest of money. The fact is, that abundance or scarcity of money, or of its substitute, whatever it may be, no more affects the rate of interest, than abundance or scarcity of cinnamon, of wheat, or of silks. The article lent is not any commodity in particular, or even money, which is itself but a commodity, like all others ; but is a value accumulated and destined to beneficial investment. (*f*)

---

(*f*) This is a mere refinement of our author, naturally flowing from his former position, that wealth consists of value, and not

A man, who is about to lend, converts into money the aggregate value he means to devote to that particular purpose; and the borrower no sooner has it at command, than he exchanges it for something else; the money, that has effected this operation, proceeds forthwith to effect another similar or dissimilar one, God knows what; the payment of a tax perhaps, or subsidy of an army. The value lent has assumed but for a moment the form of money; in the same manner, as we have traced revenue received and spent to pass through the same temporary form, the identical pieces of money serving perhaps a hundred times in the course of a year, to transfer equivalent portions of income. So, likewise, the same sum of money, that has served to transfer a value from the hands of one lender into those of a borrower, may, after infinite intervening transfers, perform the like office between a second borrower and lender, without stripping the former borrower of any part of the value he has received. In reality, then, it is value which has been borrowed, and not any particular sort of metal or of merchandise. All kinds of merchandise may be lent and borrowed, as well as money; nor does the rate of interest at all depend upon the quality of the object lent or borrowed. Nothing is more common in trade, than to lend

---

not of objects possessed of value. *Vide supra*, Book I. chap. 2. note (c). Nor is the position just: for the loan really is of the specific article lent, which the borrower may afterwards modify or convert as he thinks proper. T.

and borrow other objects than money. When a manufacturer buys the raw material of his business at a certain credit, he, in fact, borrows the wool, or cotton, as the case may be, making use of the value of those materials in his concern ; and their quality has no influence on the interest, with which he credits the seller. \* The glut or scarcity of the commodity lent only affects its relative price to other commodities, and has no influence whatever on the rate of interest upon its advance or loan.

\* Many loans on interest are made without bearing that name, and without implying a transfer of money. When a retail dealer supplies his shop by buying of the manufacturer or wholesale dealer, he borrows at interest, and re-pays, either at a certain term, or before it retaining the discount, which is but the return of the interest charged him in addition to the price of the goods. When a provincial dealer makes a remittance to a banker at Paris, and afterwards draws upon this banker, he lends to him, during the time that elapses between the arrival of this remittance and the payment of the draft. The interest of this advance is allowed in the interest account attached by the banker to the merchant's account-current. In the *Cours d'Economie Politique*, compiled by *Storch*, for the instruction of the young grand-dukes of Russia, and printed at Petersburgh, tom. vi. p. 103, we are informed, that the English merchants, or factors settled in Russia, sell to their customers at a credit of twelve months ; which enables the Russian purchaser of current articles, to realize long before the day of payment, and turn the proceeds to account in the interim ; thereby operating with English capital, never intended to be so employed. It is to be presumed, that the English indemnify themselves for this loss of interest, by the additional price of their goods. But the average rate of profit upon capital in Russia is so high, that even this round-about way of borrowing is sufficiently profitable to the native dealers.



Thus, when silver money lost three-fourths of its former relative value, although four times as much of it was necessary to pass a loan of the same extent of capital, the ratio of interest remained unaltered. The quantity of specie or money, in the market, might increase ten-fold, without multiplying the quantity of disposable, or circulating capital. \*

Wherefore, it is a great abuse of words, to talk of the interest of money; and probably this erroneous expression has led to the false inference, that the abundance or scarcity of money regulates the rate of interest. † Law, Montesquieu, nay even the judicious Locke, in a work expressly treating of the means of lowering the interest of money, have all fallen into this mistake; and it is no wonder that others should have been misled by

\* This is no contradiction to the former position, that the precious metals form part of the capital of society. They form an item of capital, but not of *disposable*, or *lendable* capital; for they are already employed, and not in search of employment; — employed in the business of circulating value from one hand to another. If their supply exceed the demand for this object, they are sent to other parts, where their price continues higher; if their general abundance lower their price every where, the sum of their value is not increased, but a larger quantity of them is given in exchange for the same value in other commodities.

† If interest were always low in proportion to the greater supply of money, it would be lower in Portugal, Brazil, and the West Indies, than in Germany, Switzerland, &c. which is by no means the case.

their authority. The theory of interest was wrapped in utter obscurity, until Hume and Smith \* dispelled the vapour. Nor will it ever be clearly comprehended, except by such as shall have acquired a correct notion of what has, throughout this work, been denominated capital, and shall proceed in the conviction, that the object lent or borrowed is not a particular commodity or object of merchandise, but a portion of value, — of the aggregate value of the capital available for that object; and that the per centage paid for the use of this portion of capital, at all times and places, depends on the relative supply and demand of capital to be lent, and is wholly independent upon the specific form or quality of the commodity, wherein the loan is made, whether it be money, or any other article whatever.

\* *Essays of D. Hume, part ii. ess. 4. Wealth of Nations, book ii. c. 4.* It is well for the student in political economy, that Locke and *Montesquieu* have not written more upon it; for the talent and ingenuity of a writer serve only to perplex a subject he is not thoroughly acquainted with. To say the truth, a man of lively wit cannot satisfy his own mind without a degree of speciousness and plausibility, which is of all things the most dangerous to the generality of readers, who are not sufficiently grounded in principle to discover an error at first sight. In those sciences, which consist in mere compilation and classification, as in botany or natural history, one can scarcely read too much; but, in those dependent upon the deduction of general laws from particular facts, the better course is to read little, and select that little with judgment.

## SECT. II.

*Of the Profits of Capital.*

WE have now sufficiently considered the nature and motive of the interest paid by the borrower to the lender of capital; and, though it appears pretty plainly, that this interest is compounded of the rent of the capital, and of the premium of insurance against the risk of its partial or total loss; we have also seen enough, to comprehend the extreme difficulty of severing and distinguishing these two ingredients.

Let us then proceed, in the next place, to investigate the causes of the profit derivable from the employment of capital, whether by a borrower or by the proprietor himself: to which end it will be necessary, in the outset, to sever it from the profit of the industry, that turns it to account; and here again we shall meet with the greatest difficulty, in drawing the line of distinction; though it is easy to perceive, that these two classes of profit, generally speaking, are combined in the recompense or portion of the adventurer. Smith, and most of the English writers on this science, have omitted to notice this distinction; they comprise under the general head of the profit of capital, or stock, as they term it, many items, which evidently belong to the head of the profit of industry. \*

\* This omission is justified by Smith, on the following grounds. "Let us suppose," says he, "that in some particular

Perhaps an approximation may be made to the accurate appreciation of that part of the aggre-

ticular place, where the common annual profits of manufacturing stock are 10 per cent., there are two different manufactures, in one of which the coarse materials annually wrought up cost only 700*l.*, while the finer materials in the other cost 7000*l.* If the labour in each cost 300*l.* per annum, the capital employed in the one will amount only to 1000*l.*; whereas, that employed in the other will amount to 7300*l.* At the rate of 10 per cent., therefore, the undertaker of the one will expect an yearly profit of 100*l.* only, and that of the other 730*l.*;" and he goes on to infer, "that the profit is in proportion to the capital, and not to the labour and skill of inspection and direction." But the instance put is altogether inconclusive: and it is equally easy to suppose the case of two manufactures, carried on in the same place, and in the same line, each with an equal capital of 1000*l.*; the one under the conduct of an active, frugal, and intelligent manager, the other under that of an idle, ignorant, and extravagant one; the former yielding a profit of 150*l.* per annum, the latter one of 50*l.* only. The difference in this case will arise, not from any difference in the respective capitals employed, but from the difference in the skill and industry employing them; which latter qualities will be more productive in the one instance than in the other. (g)

---

(g) Our author seems here to have misunderstood the meaning of Smith, who expressly mentions the regard had, in settling the wages of labour, not only to the skill and industry of inspection and direction, but also to the degree of trust reposed; and expressly distinguishes the profits of stock from the wages of labour, both superior and subordinate. Nor, in the hypothesis above cited, is it meant to be alleged, that a difference of skill or industry will make no difference in the total product, or in the recompense of the several producers: but an equal and average degree of those qualities is a *postulatum* in the illustration. T.

gate profit, which appertains to the capital, and that, which appertains to the industry employing it, respectively, by comparing the mean ratio of total profit with the mean ratio of the difference of profit in the same line of business, which seems a fair index of the difference of the skill and labour engaged. We will suppose two houses, in the fur trade for example, to work each upon a capital of 100,000 *fr.*, and to make, on the average, an annual profit, the one of 24,000 *fr.*, the other of 6000 *fr.* only; a difference of 18,000 *fr.*, fairly referable to the different degree of skill and labour, the mean of which is 9000 *fr.*; this may be considered as the gains of industry, which, deducted from 15,000 *fr.*, the mean profit of the trade, will leave 6000 *fr.* for the profit of the capital embarked in it. (*h*)

---

(*h*) The whole of this is an useless refinement; indeed, the distinction between the interest or rent, and the profit on capital or stock, leads to no practical purpose, and serves only to involve the subject in obscurity. In point of fact, every thing beyond the bare customary and procurable rent or interest paid to the inactive capitalist, comes strictly under the head of *profit* of industry. Even that rent or interest is a product of industry, paid by the productive classes in consideration of the saving of personal exertion, that must otherwise have been made in the personal acquisition of a product similar to that lent. Nay, capital itself is a product, the recompense, and in part the *profit* of previous industry: and, with regard to any profit referable to the capital itself, it will always be found, that the *profit* of capital, after allowing for risk, and wages of skill and labour, is limited to the rent or interest paid for its use: the residue is the profit or reward of productive

This example I could suggest as a means, rather of distinguishing those items of profit thus mixed up together, than of estimating their respective ratio with any tolerable certainty. But, without any index to the precise line of demarcation between the profits of capital and those of the industry employing it, we may take it for granted, that the former will always be proportionate to the risk of partial or total loss, and to the duration of the employment. In practice, adventurers, having capital at their command, always weigh before hand the advantages and disadvantages of the different modes of investment, as specified above\*, and naturally prefer, *ceteris paribus*, those presenting the smallest risk and the quickest return; so that there is less competition of capital for hazardous and long-winded adventures; indeed, none whatever is embarked in them, unless they hold out a rate of profit so much above the average rate, as to tempt the capitalist to run the risk. Theory, therefore, leads to the presumption, which is confirmed by the test of experience, that

---

\* Book II. chap. 7. sect. 3.

productive agency, whether of appropriated natural powers and agents, or of human industry intellectual and corporeal. Were it otherwise, capitalists would employ their productive means on their own account, until the productive classes should consent to resign the whole difference. There is no such thing as profit of capital, distinct from the gains of the inactive capitalist. T.

the profit of capital is high, in proportion to the hazard of the adventure, and to the length of its duration.

When a particular employment of capital, the trade with China for instance, does not afford a profit proportionate, not only to the time of the detention, but likewise to the danger of loss, and the inconvenience of a long, perhaps a two years', duration of one single operation before the returns come to hand, a proportion of the capital is gradually withdrawn from that channel; the competition slackens, and the profits advance, until they rise high enough to attract fresh capital.\*

This will serve also to explain, why the profits, derivable from a new mode of employment, are larger than those of common and ordinary employments, where the production and consumption have been well understood for years. In the former case, competition is deterred by the uncertainty of success; in the latter, allured by the security of the employment.

In short, in this matter, as in all others, where the interests of mankind clash, one with another, the ratio is determined by the relative demand

\* To say nothing of the other motives, that attract industry towards any particular profession or repel it thence, which have been noticed in the preceding chapter. These motives sometimes operate all in the same direction, and then the profits of both industry and capital rise or fall together; when they act in opposite directions, the difference on the profit of capital balances that on the profit of industry; or *vice versâ*.

and supply for each mode of employment of capital respectively.

It is a maxim with Smith and those of his school, that human labour was the first price, — the original purchase-money, paid for all things. They have omitted to add, that, for every object of purchase, there is, moreover, paid, the agency and co-operation of the capital employed in its production. Is not capital itself, they will say, composed of accumulated products, — of accumulated labour? Granted: but the value of capital, like that of land, is distinguishable from the value of its productive agency; the value of a field is quite different from that of its annual rent. When a capital of 1000 *fr.* is lent, or rather let on hire, for a year, in consideration of 50 *fr.*, more or less, its agency is transferred for that space of time, and for that consideration; besides the 50 *fr.*, the lender receives back the whole principal sum of 1000 *fr.*, which is applicable to the same objects as before. Thus, although the capital be itself a pre-existent product, the annual profit upon it is an entirely new one, and has no reference to the industry, wherein the capital originated. (*i*)

---

(*i*) That is to say, no *immediate* reference; for it has a *remote* reference; inasmuch as the product resulting from capital could never have resulted from it, but for the industry, that gave existence to the capital. All that is meant by Smith is, that mankind, in the aggregate, owe all the objects in their possession or reach to the labour, that has made them so; in other words,



Wherefore, when a product is ultimately completed by the aid of capital, one portion of its value must go to recompense the agency of the capital, as well as another to reward that of the industry, that have concurred in its production. And the portion so applied is wholly distinct from the value of the capital itself, which is returned to the full amount, and emerges in a perfect state from its productive employment. Nor does this

---

words, to the human exertion employed in surmounting the difficulty of their attainment. And this is true generally of all objects, whether in a primary, or in a secondary state.

It must be obvious to every reflecting mind, that capital cannot of itself, like nature, or like man, yield any product whatever; it is not active but passive; and the sole way in which it can operate productively is, in being held out to human industry as the prize of some further exertion. Strictly speaking, therefore, it cannot yield any profit, not even so much as its rent, or interest; which is in reality not the product of capital, but the product of the extra exertion of the borrower, imposed upon him by the inability to give a present equivalent. In this light, capital is a mere stimulus to industry: it is sometimes also the basis of further production. Ore is a product; it may be further modified into metal; further still into coin: but both these modifications are the product of industry, as well as the ore, the original item of capital. If industry require an existing product to work upon, and have no present equivalent to give for it, it must give some of its own future product, the modification, in consideration of the advance and delay of the return. That future product will, however, be wholly due to the industry, and no part of it to the capital; for the future product will either be the modification of a pre-existent one, or a new one altogether. T.

profit upon capital represent any part of the industry engaged in its original formation.

From all which it is impossible to avoid drawing this conclusion, that the profit of capital, like that of land and the other natural sources, is the equivalent given for a productive agency, which, though distinct from that of human industry, is nevertheless its efficient ally in the production of wealth.

### SECT. III.

#### *Of the Employments of Capital most beneficial to Society.*

To the capitalist himself, the most advantageous employment of capital is that, which with equal risk yields the largest profit; but what is to him most beneficial, may perhaps not be so to the community at large; for capital has this peculiar faculty; that, besides being productive of a revenue peculiar to itself, it is, moreover, a means, whereby land and industry may generate a revenue likewise. This is an exception to the general principle, that what is the most productive to the individual, is so to the community at large. A capital lent to a foreign country may very probably produce to the proprietors and the nation the highest possible rate of interest; but can afford no assistance towards extending the revenue of the national territory, or of the national in-

dustry, as it would do, if employed within the pale of the nation. (*k*)

The portion of capital embarked in domestic agriculture is employed best for the interests of a nation ; it enhances the productive power of the land and of the labour of a country. It augments at once the profits of industry and those of real property. Capital, employed under intelligent direction, may make barren rocks to bear increase. The Cevennes, the Pyrenees, and the Pays de Vaud, present on every side the view of mountains, once a scene of unvaried sterility, now covered with verdure and enriched by cultivation. Parts of these rocks have been blasted with gunpowder, and the shivered fragments employed in the construction of terraces one above

---

(*k*) For present purposes, it makes little difference to a nation, whether its capital be advanced for objects of internal, or for those of external production, so that the product raised be destined to internal consumption ; for the present object is, to enlarge present enjoyment and the satisfaction of present wants, which is done most effectually, by pursuing the course best calculated to multiply present production. But, for future purposes, it is of the highest consequence to select those investments, which operate to enlarge the permanent sources of wealth and prosperity, the possession of the natural and primary sources, the activity of industry, corporeal and intellectual, the secondary source of wealth. Capital, expended in foreign agriculture or manufacture, may yield an ample present return to domestic consumption ; but the permanent enlargement of the sources of wealth accrues entirely to the foreign nation. T.

another, supporting a thin stratum of earth carried thither by human labour. In this manner is the barren surface of the rock transformed into shelving platforms, richly furnished with verdure, and teeming with produce and population. The capital originally expended in these laborious improvements might, perhaps, have produced larger profits to the capitalist, if employed in external commerce ; but probably the total revenue of the district would have been inferior in amount.

For a similar reason, capital cannot be more beneficially employed, than in strengthening and aiding the productive powers of nature. Well-contrived and useful machinery produces more than the interest of its prime cost ; and, besides affording additional profit to the proprietor, benefits the consumer and the community at large, to the full extent of the saving effected by its means ; for every thing saved is so much gain.

The productive employments, that rank next in point of national benefit, are those of manufacture and internal commerce : for the profits of the industry they set in motion are earned at home ; whereas, capital embarked in foreign trade benefits the industry and natural resources of all nations indiscriminately.

The employment of capital, that tends least to the national advantage, is the carrying trade between one foreign country and another.

When a nation is possessed of an immense accumulation of capital, it will do well to embark it in all these different channels of industry ; for

they are all lucrative, and in nearly equal degree to the capitalist, though in very different degrees to the nation at large. What prejudice can arise to the lands of Holland, which are already in a high state of cultivation and management, and want neither clearing nor enclosing, or what injury be sustained by nations possessed of little territory, like the old states of Venice, Genoa, and Hamburgh, from the large investments of national capital in the carrying trade? It flowed into that particular channel of employment, merely because there was no other open to it. But that class of trade, and generally all external commerce, is ill adapted to a nation deficient in capital, and having not enough to keep its agriculture and manufacture in activity; and it would be absurd for its government to give premature encouragement to those external branches of industry; for such a measure would but check the employment of capital in the manner best calculated to increase the national revenue. China, though it is the largest empire in the world, and must possess the greatest aggregate revenue, since it maintains the most numerous and dense population, abandons to foreigners almost all its external commerce. Undoubtedly, in her present condition, she would be a gainer by extending her external relations of commerce; but she affords a very striking example of the prosperity attainable without them.

It is very fortunate, that the natural course of things impels capital rather into those channels, which are the most beneficial to the community,

than into those, which afford the largest ratio of profit. The investments generally preferred are those that are nearest home ; whereof the first and foremost is the improvement of the soil, which is justly considered the most safe and permanent ; the next, manufacture and internal commerce ; and the last of all, external commerce, the trade of transport, and the commerce with distant nations. The owner of a capital, especially of a moderate one, will embark it rather under his own superintendance, than in distant and remote concerns. He is apt to think his risk too hazardous, when he loses sight of his property for any considerable length of time, when he consigns it to strangers, or can expect only tardy returns, or is exposed to the chances of litigation with fraudulent debtors, who may take advantage of their unsettled habits of life, or of the laws of foreign countries, with which he is himself unacquainted. Nothing, but the bait of exclusive privilege and monopoly-profit, or the violent derangement of internal industry, can induce an European nation, not possessed of a large surplus capital, to engage in the colonial or East India trade.

## CHAP. IX.

## OF THE REVENUE OF LAND.

## SECT. I.

*Of the Profit of Landed Property.\**

LAND has the faculty of transforming and adapting to the use of mankind an infinity of substances, which, without its intervention, would be to them of no service; it yields nutriment and vegetative juices to the grain, the fruits, and vegetables, whereon we subsist; as well as to the forests, whereof we construct our houses, ships, and furniture, and whence we derive fuel to keep us warm. Its agency in the production of all these commodities may be called, the productive agency of land. And thence it is, that the profit of the proprietor originates.

He derives a further benefit from the useful

\* In the preceding chapter, I have given the interest, precedence of the profit, of capital, because the former helps to render the latter more intelligible. I have here adopted a contrary arrangement, because the consideration of the profit of land elucidates the subject of rent.

substances to be extracted from its entrails ; the stone, metal, coal, peat, &c. &c.

Land, as we have above remarked, is not the only natural agent possessing productive properties ; but it is the only one, or almost the only one, which man has been able to appropriate, and turn to his own peculiar and exclusive benefit. The water of rivers and of the ocean has the power of giving motion to machinery, affords a means of navigation, and a supply of fish ; it is, therefore, undoubtedly possessed of productive power. The wind turns our mills ; even the heat of the sun co-operates with human industry ; but happily no man has yet been able to say, the wind and the sun's rays are mine, and I will be paid for their productive services. I would not be understood to insinuate, that land should be no more the object of property, than the rays of the sun, or blast of the wind. There is an essential difference between these sources of production ; the power of the latter is inexhaustible ; the benefit derived from them by one man does not hinder another from deriving equal advantage. The sea and the wind can at the same time convey my neighbour's vessel and my own. With land it is otherwise. Capital and industry will be expended upon it in vain, if all are equally privileged to make use of it ; and no one will be fool enough to make the outlay, unless assured of reaping the benefit. Nay, paradoxical as it may seem at first sight, it is, nevertheless, perfectly



true, that the man, who is himself no share-holder of land, is equally interested in its appropriation with the share-holder himself. The savage tribes of New Zealand, and of the north-western coast of America, where the land is unappropriated, have the greatest difficulty in procuring a precarious subsistence upon fish and game, and are often reduced to devour worms, caterpillars, and the most nauseous vermin\* : not unfrequently even to wage war on one another, from absolute want, and to devour their prisoners as food; whereas, in Europe, where the appropriation is complete, the meanest individual, with bodily health, and inclination to work, is sure of shelter, clothing and subsistence, at the least.

In preceding chapters, we have noticed the profit resulting from industry and capital, embarked in agriculture or other branches of industry. In the present, we are to enquire, wherein consists the peculiar profit of land itself, independent of that accruing from the industry and capital, devoted to its cultivation; and to consider the profit of land in the abstract, and whence it originates, without any enquiry as to who may be the cultivator, whether the proprietor himself, or a tenant under him.

\* Malthus, in his *Essay on Population*, book i. c. 405., has given a detail of some of the revolting extremes, to which savage tribes have been reduced, by the want of a regular supply of food.

It is the declared opinion of many writers \*, that the value of products is never more than the

\* *Destutt de Tracy, Commentaire sur l'Esprit des Lois*, c. 13. Ricardo, (a) *Prin. of Pol. Econ. and Tax.* c. 2.

---

(a) This chapter of Ricardo is perhaps the least satisfactory and intelligible of his whole work. It goes upon the principle detailed by Malthus, in his *Essay on Rent*; viz. that the ratio of rent is determined by the difference in the product of land of different qualities, the worst land in cultivation yielding no rent at all. But there is a great deal of land yielding rent without any cultivation; and, in a country, where the whole of the land is appropriated, none is ever cultivated without paying some rent or other. The downs of Wiltshire yield a rent, without any labour, or capital, being expended upon them; so likewise the forests of Norway; this rent is the natural product of the soil; it is paid for the perception of that natural product, between which, and the desire for it, an artificial difficulty is interposed by human appropriation. The whole rent is, therefore, referable not to the quality of the land only, but to the quality jointly with the appropriation; and so it is in all cases. Wherever a difficulty is thus interposed, rent will be paid upon all land brought into cultivation; for why should the proprietor part with the temporary possession for nothing, any more than the capitalist with his capital? And the ratio of rent is determined, not altogether by the quality of the soil, but by the intensity — 1. of the desire, or demand for its productive agency; 2. of the artificial difficulty interposed by nature and human appropriation. The quality of the soil may vary the intensity of the demand for it beyond all question; for the quality is the productive agency: but the supply of agricultural industry and capital in the market will also vary the proportion of its product, which industry and capital will expect for themselves. Why is rent highest, when a population is condensed on a limited territorial surface? because then the utility

recompense of the human agency engaged in their production ; consequently, that there is no residue, or surplus, that can be set apart as the peculiar profit of land, and constitute the rent paid for its use to the proprietor. The tenor of their argument is this: the proprietor of land lying waste or fallow, having also a capital to dispose of, may, at his pleasure, expend it, either in cultivation, or in some other way. If he reckons that the cultivation of his land will yield him as large a return as any other investment, he will give it the preference ; and, indeed, it is found by experience, that this mode of investment is preferred, even though somewhat less advantageous than others, as being at all events more safe. Well : and what do they infer from this ? Why, that cultivation yields no return whatever, beyond the interest on the capital engaged in it \* ; and if

\* According to these writers, even the interest of capital is not given as the recompense of its concurrence in the business of production. I have already exposed the fallacy of this opinion, *suprà*, Chap. 8. sect. 2.

---

utility of its productive qualities is more strongly felt and desired, in consequence of the intense difficulty of their attainment. And why is rent still further raised by the prohibition of the import of products of external agriculture ? Because the natural difficulty of obtaining the benefit of the productive agency of foreign land is aggravated, by the artificial difficulty interposed by legislative enactments. The degree of productive agency, of course, affects the amount of the product ; but rent originates in the union of that agency, or utility, with difficulty of attainment, natural and artificial, and is regulated in its ratio by their combined intensity. T.

so, what is there left for the profit of the productive powers of the soil? Evidently nothing whatever. I have endeavoured to put the argument in the clearest and most intelligible light; and I have to observe upon it, that it proceeds upon a partial and imperfect view of the matter, and upon a total neglect of the influence of demand in the fixation of value. I will now adventure a complete view of the subject.

The productive power of the soil has no value, unless where its products are objects of demand. Travellers, who have explored the interior of America, and other desert parts of the globe, make repeated mention of tracts of the richest land, capable of every kind of culture, yet wholly destitute of any useful or valuable products. But, no sooner is a colony established in the vicinity, or, by some means or other, a market found, where the products of the soil will, in the way of exchange, pay the usual rate of interest upon the requisite advances, than cultivation begins immediately. Up to this point, there is no difference between us. But, if any circumstances operate to aggravate the demand beyond this point, the value of agricultural products will exceed, and sometimes very greatly exceed, the ordinary rate of interest upon capital; and this excess it is, which constitutes the profit of land, and enables the actual cultivator, when not himself the proprietor, to pay a rent to the proprietor, after having first retained the full interest upon his own advances, and the full recompense of his own industry.

Land is an agent gratuitously furnished to mankind at large, by whom it is afterwards exclusively appropriated ; but its appropriation does not begin to be profitable to the individual, in whose favor it is made, until its products are an object of demand, and until their supply ceases to be co-extensive with the desire for them, as it is with respect to some other natural objects, air, water, &c.

From those products of the soil only, thus raised in value by the demand, can there accrue that profit to the proprietor, which has been called the profit of land, and which is paid in all civilized countries, and especially where manufacture and commerce multiply the objects of exchange. It may sometimes happen, that, in a particular district of such a country, the rent of land may be very trifling ; as in our own district of Sologne, where it is no more than 1 *fr.* the *arpent* ; but this is owing to the want of roads, and particularly of water-carriage, which makes the charge of bringing its agricultural produce to market, added to the charge of cultivation, absorb nearly the whole value it will there sell for.

In some countries, highly civilized and productive in the extreme, land pays no more than 3 or 4 per cent. upon its price or purchase-money. Yet, this is no proof of the poverty of the soil ; it proves only, that it sells dear. A landed estate may yield 120 *fr.* the *arpent*, and require very little expense of cultivation ; as if it be laid down in pasture, for instance ; in such case, it must owe most of its value to its natural properties ; yet, if it have cost

the proprietor 4000 *fr.* the *arpent*, it will yield a return of 3 per cent. only. And herein consists the difference between the *profit* and the *rent* of land: profit is high or low, according to the quantum of the product; rent, according to the quantum of the purchase-money or price. An acre of land, yielding a profit of 1 *fr.* only, will bring as high a rent as an acre yielding a profit of 50 *fr.*, if 50 times as much has been paid for the one as for the other.

Whenever land is bought with capital, or capital with land, occasion is given for a comparison of the returns of the one species of property with the returns of the other. It is possible, that an estate, bought with a capital of 100,000 *fr.*, may produce but 3 or 4000 *fr.* per annum, whilst the same amount of capital would yield 5 or 6000 *fr.* The lower rate of interest, which the proprietor is content to take on a purchase of land, may be attributed, in the first place, to the superior stability of the investment. Capital can seldom be made productive, without undergoing several changes both of form and of place, the risk of which is always more or less alarming to persons unaccustomed to the operations of industry; whereas, on the contrary, landed property produces, without any change of either quality or position. The satisfaction and pleasure attached to territorial possession, the consideration, weight, and dignity it communicates, and the titles and privileges with which it is in some countries accompanied, contribute greatly to increase this natural preference.

It is true, that land is more exposed than other

property to the burden of public taxation, and to the arbitrary exactions of power, precisely because it can neither be removed nor concealed. A floating capital may take any shape whatever, and be removed at will. It can escape tyranny and civil commotions more readily, than even the person of its proprietor. It is a safer object of property; for it is often impossible to attach it, or to make it specifically responsible for the debts of the proprietor. Moreover, it is much less exposed to litigation, than landed property. Yet, it is clear, that all these advantages are more than counterpoised by the superior risk of investment; and, that landed property is still preferred to floating capital; since land is dearer, in proportion to its annual returns.

Whatever may be the exchangeable price of land and capital one to the other, it is proper to observe, that their interchange makes no variation in the supply of productive agency of land and capital respectively in circulation, and disposable for the purposes of production; consequently, that exchangeable price can nowise affect the real and positive profit of land and of capital. When Richard sells his estate to Thomas, the productive service of the land is at the disposal of Thomas instead of Richard; and that of the capital, given in exchange for it, is at the disposal of Richard instead of Thomas.

The only thing, which really varies the amount of productive agency of land in circulation, is the actual amelioration of the soil, by clearing and

bringing new land into cultivation, or enlarging the productive powers of old land, and thus increasing its product. Savings and accumulations of capital are, in the shape of agricultural improvements, transformed into landed property, and made to participate in all the peculiar advantages and disadvantages attached to it. The same may be said of houses, and generally of all capital invested in a fixed and permanent object; it thenceforth loses the character of capital, and assumes that of landed property.

Whence we may draw this invariable maxim; that the productive agency of land is possessed of value, which value, like value in general, increases in the direct ratio of the demand, and the inverse ratio of the supply; and that, since land differs as much in quality, as in site and position, there is a peculiar demand and supply for each peculiar quality. A demand for so much wine, more or less, whatever it arise from, creates a specific demand for as much productive agency of the soil, as may be requisite for its growth\*; and the extent of surface, adapted to the culture of the grape, determines the supply of that productive service. If the soil, capable of growing good wine, be very limited in extent, and the demand for such wine very brisk, the profit of the soil itself will be extravagantly high.

It is worthy of remark, that all land, that yields

\* As well as a demand for the capital and industry requisite for the cultivation.



any profit at all, however trifling in amount, even so little as 1 *fr.* the *arpent*, or even less, may be kept in a state of cultivation: and there have been many instances of its cultivation under such circumstances. Herein it differs from capital and industry. A labourer, if he finds himself settled in a place, where his labour does not yield him what he has reason to expect, can migrate to another. So, likewise, capital quickly flows from a channel, that affords a less, to one that affords a greater return. But land has not the same facilities: it is of necessity immoveable; consequently, out of its gross product, after the deduction in the first instance of all advances of capital, with interest, as well as of the profits of industry, without which there could be no product whatever, there still remains to be deducted the expense of carrying the product to the market, or place of exchange. When these several deductions absorb the whole product of the land, the land itself yields no profit at all, and the proprietor can never succeed in getting a rent from it. Even if he cultivate himself, he can only gain a profit on his capital and industry, but will receive none whatever from the bare ownership of the land. In Scotland, there are tracts of unproductive land thus cultivated by the proprietors, which it would not answer for any one else to undertake. So, likewise, in the back settlements of the United States, there are tracts of great extent and fertility, whose revenue alone would not maintain the proprietors; yet they are, nevertheless, cultivated with success; but it is

by the proprietors themselves, who consume the product at the place of growth, and are obliged to superadd to the profit of the land, which is little or nothing, the further profit of capital and personal industry, which afford a handsome competency.

It is obvious, that land, though in a state of cultivation, yields no profit, when no farmer will pay rent for it; which is a convincing proof, that it gives no surplus, after allowing for the profit of the capital and industry requisite for its cultivation. (*b*)

In the instance just mentioned, the effect is occasioned by the distance of the market; the ex-

---

(*b*) Our author here admits, that the profit of land is synonymous with the rent procurable for it; and so is the profit of capital with interest; indeed, there seems no adequate reason, why profit should be considered separately from rent or interest. The total product is in all cases referable, in the first place, to nature, the primary source; in the second, to industry, the secondary source. The appropriator of the primary source will obtain a share of that product, proportionate to the extent of that source, as compared with the demand for it, or for the product derivable from it. So, likewise, the possessor of the product itself may exchange it for the sources of production, or for either a present or a future equivalent: if for the latter, he will receive, 1. an indemnity for the risk; 2. an indemnity for the delay; whereof the latter alone constitutes the profit of capital; all the residue is the profit or share of industry. Nay, if the matter be thoroughly sifted, it will be found, that interest or profit upon capital is the reward of past, — wages or profit of industry, the reward of present, human exertion: whereas, rent or profit of land, or of any other natural source, is the recompense of no human exertion whatever, but what is necessary to support the exclusive appropriation. T.

pense of transport swallows up the profit, which might otherwise be made of the land. Other instances might be adduced, in which badness of seasons, war, or taxation, have produced the same effect, and partially or totally absorbed the profit of land, and thus thrown it out of cultivation.\*

## SECT. II.

### *Of Rent.*

WHEN a farmer takes a lease of land, he pays to the proprietor the profit accruing from its productive agency, and reserves to himself, besides the wages of his own industry, the profit upon the capital he embarks in the concern; which capital consists in implements of husbandry, carts, cattle, &c. He is an adventurer in the business of agricultural industry; and, amongst the means he has to work with, there is one that does not belong to him, and for which he pays rent, *i. e.* the land.

The preceding section was occupied in explain-

\* This catalogue of adverse circumstances, all bearing more strongly upon the profit of land, than upon that of other sources of revenue, explains the frequent and unavoidable remission of rent to the farmer, and proves the accuracy of M. de Sévigné's judgment, when she writes from the country: — "I wish my son could come here and convince himself of the fallacy of fancying oneself possessed of wealth, when one is only possessed of land." *Lettre 224.*

ing the source of the profit of land. Its rent is generally fixed at the highest rate of that profit, and for the following reason.

Agricultural adventure requires, on the average, a smaller capital (*c*), in proportion, than other classes of industry, reckoning the land itself as no part of the capital of the adventurer. Wherefore, there is a greater number of persons able, from their pecuniary circumstances, to embark in agricultural, than in any other speculations; consequently, a greater competition of bidders for land upon lease. On the other hand, the quantity of land fit for cultivation is limited in all countries; whereas, the quantity of capital and the number of cultivators have no assignable limitation. Landed proprietors, therefore, at least in those countries, which have been long peopled and cultivated, are enabled to enforce a kind of monopoly against the farmers. The demand for their commodity, land, may go on continually increasing; but the quantity of it can never be extended.

This circumstance is equally applicable to the nation at large, and to each particular province or district. The number of acres to be rented in

---

(*c*) This is not universally true. In England, where agriculture has attained a high degree of perfection, arable farms require much larger capitals than formerly; and a farmer is commonly a much richer man, than the majority of the tradesmen in his neighbourhood. T.

each province is incapable of extension ; whilst the number of persons in a condition to rent them has no fixed and absolute limit.

Whenever this is the case, the bargain between the land-holder and the tenant must always be greatly in favor of the former ; and, whenever there is any portion of the soil, which yields to the latter more than the interest of his capital and the wages of his industry, a higher bidder will soon offer himself. The liberality of a few proprietors, the distance at which they happen to reside, the ignorance of others, and even of the farmers themselves, and the imprudence of a few more, may sometimes operate to depress the ratio of rent below the maximum of profit ; but these are accidental circumstances, which act for a season only, and can never prevent the regular and constant action of natural causes, which must in the end prevail.

Besides this advantage accruing to the land-holder, derived from the very nature of things, he has likewise in general the advantage of possessing, or being able to accumulate greater wealth, and sometimes credit, patronage, and influence, into the bargain : but the first advantage is alone sufficient to insure him the sole benefit of any circumstances, that may happen to enhance the profit of land. The opening of a canal or road, the increase of population, wealth, and affluence in the province, always operate to raise his rent. He also benefits by every improvement in the cultivation ; for a man can afford to pay dearer for the hire of an

instrument, when he knows how to turn it to better account.

When the proprietor himself expends a capital in the improvement of his land, in draining, irrigation, fences, buildings, houses, or other erections, the rent then includes, in addition to the profit of the land, the interest likewise of the capital so expended. \*

The farmer may sometimes undertake these expenses of amelioration himself; but he can only calculate on receiving interest on the outlay during the continuance of his lease; at the expiration of which, the benefit must devolve to the land-holder, being wholly incapable of removal: thenceforward the landlord derives the whole profit, without having made any of the advances: for he receives a proportionate increase of rent in consequence. The farmer should, therefore, engage only in those improvements, whose effects will last no longer than his lease; unless the lease be long enough, to allow the profit arising from his improvements to repay the whole outlay, together with the interest. It is in this way, that long leases operate to increase the product of the land; and it is evident the effect will be the greatest, when the land is farmed by the proprietor himself; for he is far less likely, than the farmer, to lose the benefit of such advances; every judicious improvement yields him a permanent

\* The capital, vested in improvements upon land, is sometimes of greater value than the land itself. This is the case with dwelling-houses.

profit, and the original outlay is amply repaid, when the land is finally disposed of. The farmer's certainty of reaping the advantage till the end of his lease is equally conducive to the improvement of landed property with the length of leases. On the contrary, such laws and customs, as authorise the cancelling of leases in specified cases, as in case of sale by the proprietor, are highly prejudicial to agriculture; since the farmer will hardly venture to undertake any considerable improvement, if kept in continual fear of seeing an intrusive successor appropriate the recompense of his ingenuity, labour, and capital. In fact, every improvement he should make would but increase the risk of that injustice; for land is far more saleable in good condition than otherwise.

Leases are no where more sacredly regarded than in England; and the privilege, enjoyed by lessees to the amount of 40s. (about 50*fr.*) and upwards), of voting at Parliamentary (*d*) elections, has, in some measure, restored the equipoise of power and influence between landlords and tenants, which seldom exists in practice. In no other country do we see tenants so confident of

---

(*d*) It is singular, that our author should have persevered in this mistake; especially as the work of his countryman, *Cottu*, gave him the opportunity of correcting it in the fourth edition. The right of voting is confined exclusively to the proprietor, and is not extended even to all classes of property: freehold alone confers the right, and not copyhold or leasehold of any kind. T.

undisturbed possession, as to build upon ground held on lease. Such *ténants* improve the land, as if it were their own; and their landlords are punctually paid; which is less frequently the case elsewhere.

The land is sometimes cultivated by persons possessed of no capital whatever, the proprietor furnishing himself the requisite capital, as well as the land. They are called in France, *metayers*, and commonly pay to the landlord half the gross product. This arrangement is to be met with only in the infancy of agriculture, and is of all others the least conducive to improvement; for the party, who bears the expense of amelioration, whether landlord or tenant, makes the other a gratuitous present of half the interest on his advances. This kind of tenancy was more common in the feudal times, than it is at present. The lords were above tilling the land themselves, and their vassals had not the means. The largest incomes were then derived from land, because the lords were large proprietors; but they bore no proportion to the extent of the land. Nor was this owing to the defect of agricultural skill, so much as to the scarcity of capital devoted to improvements. The lord felt little anxiety to improve his property, and expended, in a way more liberal than productive, an income that he might easily have tripled. He levied war, gave feasts and tournaments, and maintained a numerous retinue. If we look at the then degraded condition of commerce and manufacture, superadded to the insecur-



rity of the agricultural interest, we need go no further for the explanation of the reason, why the bulk of the community was in the extreme of indigence; and why, independently of every political cause, the nation itself was weak and impotent. Five departments would now be able to repel attacks, which overwhelmed all France at that period: but, happily for her, the other states of Europe were nowise in a better condition.

## CHAP. X.

OF THE EFFECT OF REVENUE DERIVED BY ONE NATION  
FROM ANOTHER.

ONE nation cannot take from another the revenues of its industry. A German taylor, establishing himself in France, there makes a profit, in which Germany has no participation. But, if this taylor contrive to amass a little capital, and after the lapse of several years carry it back with him to his native country, he injures France to the same extent as a French capitalist, who should emigrate with the same amount of fortune.\* In a political view, the injury to the wealth of the nation is equal in both cases; but, in a moral light, it is otherwise: for I reckon that a native Frenchman, in quitting his country, robs it of an affectionate attachment, and a spirit of exclusive nationality, which it can never look for in a stranger born.

\* If, however, this capital be the fruit of his personal frugality, he robs France of no part of her wealth existing previous to his arrival. Had he continued resident there, the aggregate of the capital of France would have been increased to the full extent of his accumulation; but, in taking the whole away with him, he takes no more than his own earnings, and no value but what is of his own creation; in so doing, he commits no individual, and, therefore, no national, wrong

A nation, receiving a stray child into its bosom again, acquires a real treasure; inasmuch, as in him it receives an addition to its population, an accession to the profits of national industry, and an acquisition of capital. It at the same time recovers a lost citizen, and the means for him to subsist upon. If the exile bring back his industry only, at any rate the profits of industry are added to the national stock. It is true, that a source of consumption is likewise superadded; but supposing it to counterbalance the advantage, there is no diminution of revenue, while the moral and political strength of the country is actually augmented. (a)

With regard to capital lent by one nation to another, the effect upon their respective wealth is precisely analogous to that, resulting upon every loan from one individual to another. If France borrow capital from Holland, and devote it to a productive purpose, she will gain the profit of industry and land accruing from the employment of that capital; and she will do so even although she pay interest; in like manner as a merchant or

---

(a) In the common course of things, such an addition is a national benefit, because it is an accession to the secondary source of production, *i. e.* industry. But defective human institutions may convert a benefit into a curse; as where a poor-law system gives gratuitous subsistence to a part of the population, capable of labour, but not incited by want. In such case, every additional human being may be a burthen instead of a prize; for he may be one more on the list of idle pensioners. T.

manufacturer borrows for the purposes of his concern, and gains a residue of profit, even after paying the interest of the loan.

But, if one state borrow from another, not for productive purposes, but for those of mere expenditure, the capital borrowed will then yield no return, and the national revenue be saddled with the interest to the foreign creditor. Such was the condition of France, when she borrowed from the Genoese, the Dutch, and the Genevese, for the support of her wars, or to feed the prodigality of a court. Yet it was better to borrow from strangers than from natives, even for the purpose of dissipation; because the amount, so borrowed, was not withdrawn from the national productive capital of France. In either case, the French people would have to pay the interest\*; but had they likewise lent the capital, they would have had to pay the interest, and at the same time have lost the benefit, which their industry and land might have derived from its employment and agency.

With regard to such landed property, as may belong to foreigners residing abroad, the revenue arising from it is an item of foreign, and forms no part of the national revenue. But it is to be remembered, that the foreigner cannot have purchased it without a remittance of capital equal in

\* It will be shown in Book III, that the interest is equally lost, whether spent internally or externally.

value to the land ; which capital is an equally valuable acquisition, particularly if the nation be possessed of improveable land in abundance, but of little capital to set industry in motion. In making his purchase of land, the foreigner exchanges a revenue of capital, which he leaves the nation to profit by, for a revenue of land, which he thenceforth receives ; thus bartering interest of money for rent of land. If the national industry be active and skilfully directed, more benefit may be derived from the interest, than was before obtained from the rent ; the purchaser, however, acquires a fixed and permanent property, in lieu of one more perishable, transferable, and destructible. Mismanagement may soon annihilate the capital the nation has acquired ; but the land remains a permanent possession of the purchaser, and he may sell it and get back the value when he pleases. There is, therefore, nothing to be apprehended from the purchase of land by foreigners, provided there be wisdom enough, to employ in reproduction the value received in exchange.

The particular form, in which one nation may draw revenue from another, is of no importance whatever. It may be remitted in specie, in bullion, or in any other kind of merchandise : indeed, it is of the greatest consequence to leave individuals to take it in the shape, that best suits their convenience ; for what suits them will infallibly be the best for both nations ; in like manner, as, in the conduct of inter-national trade, the

commodity, which individuals export or import in preference, is that which best suits the mutual national interests.

The agents of the English East India Company draw from that country, either an annual revenue, or an accumulated fortune, which they return to England to enjoy and live upon: they take good care not to withdraw these remittances in the shape of gold or silver, because the precious metals are of more relative value in Asia than in Europe; they remit in the shape of India goods and products, on which a fresh profit is made on arrival in Europe: every million they remit, swells perhaps to as much as 1,200,000, by the time it has reached the place of destination. Thus, Europe gains to the amount of 1,200,000, while India loses only a million. If these despoilers of India \* (*b*) insisted on transmitting this whole

\* Raynal tells us, that, inasmuch as the East India Company derives a revenue from Bengal, to be consumed in Europe, it must infallibly drain it of specie in the end, since the Company is the only merchant, and imports no specie itself. But Raynal is mistaken in this. In the first place, private merchants do carry the precious metals to India, because they are of more value there than in Europe; and that very reason also deters the servants of the company, who may have made fortunes in Asia, from remitting them in specie.

And

---

(*b*) This is a harsh word, yet probably justified by the history of the original acquisition. But the scene has now changed; the servants of the sovereign company no longer look to spoliation as a public or private resource, but are content with the liberal

sum in specie, they must rob Hindustan, perhaps, of 1,500,000 or upwards, for every 1,200,000 that England would receive. The sum may, perhaps, be amassed originally in specie; but it is always remitted in the shape of that commodity, which, for the time being, answers best as an object of transport. As long as exportation of any kind is allowed, and exportation has always been regarded by statesmen with a favorable eye, it is easy to receive in our country, the revenue and capital derived from another. And the remittance cannot be prevented by the government, without the interdiction of all external commerce, which after all would leave the resource of smug-

And if it were to be suggested, that a fortune, remitted to Europe is less substantial and more speedily dissipated, when it arrives in the shape of goods, than when in that of specie, this again would be an error. The form, that property happens to assume, does not affect its substantiality; when once transferred to Europe, it may be converted into specie, or land, or what not. It is the amount of values, and not the temporary form they appear under, which, in this colonial connection, as in that of inter-national trade, is the essential circumstance.

---

liberal remuneration of laborious duties, civil, military, and financial. A slight examination of the connection between Britain and her Asiatic dependencies will show, how small a balance is remitted to the former in any shape: and it should be remembered, that part, even of this, is but the interest of loans raised in England, for the purposes of Indian administration, though not always of a wise or paternal character. T.

gling and contraband. In the eyes of political economy, nothing is more absurd, than to see governments prohibit the export of the national specie, as a means of checking the emigration of wealth.\*

\* The complete interception of all export of objects of value would not help them towards the point of intent ; because free communication occasions a much greater influx than efflux of wealth. Value, or wealth, is by nature fugitive and independent. Incapable of all restraint, it is sure to vanish from the fetters, that are contrived to confine it, and to expand and flourish under the influence of liberty.



## CHAP. XI.

OF THE MODE IN WHICH THE QUANTITY OF THE PRODUCT  
AFFECTS POPULATION.

## SECT. I.

*Of Population, as connected with Political Economy.*

HAVING, in Book I., investigated the production of the articles necessary to the satisfaction of human wants, and, in the present Book, traced their distribution among the different members of the community, let us now further extend our observations to the influence those products exercise upon the number of individuals, of which the community is composed ; that is to say, upon population.

In her treatment of all organic bodies, nature seems to despise the individual, and afford protection only to the species. Natural history presents very curious examples of her extraordinary care to perpetuate the species ; but the most powerful means she adopts for that purpose is, the multiplication of germs in such vast profusion, that, notwithstanding the immense variety of accidents occurring to prevent their early developement,

or destroy them in progress to maturity, there are always left more than sufficient to perpetuate the species. Did not accident, destruction, or failure of the means of developement check the multiplication of organic existence, there is no animal or plant, that might not cover the face of the globe in a very few years.

This faculty of infinite increase is common to man, with all other organic bodies; and, although his superior intelligence continually enlarges his own means of existence, he must sooner or later arrive at the ultimum.

Animal existence depends on the gratification of one sole and immediate want, that of food and sustenance; but man is enabled, by the faculty of communication with his species, to barter one product for another, and to regard the value, rather than the nature, of a product. The producer and owner of a piece of furniture of 100 *fr.* value may consider himself as possessing as much human food, as may be procurable for that price. And, with respect to the relative price of products, it is in all cases determined by the intensity of the desire, the degree of utility in each product for the time being. (a) We may safely take it for

---

(a) Rather, by the combined intensity of utility and difficulty of attainment, wherein originates the intensity of the desire or demand. This is weighed on either side in the scales of human estimation; and the comparison of the combination of these two ingredients, in two objects of barter, determines the relation of their interchangeable value. T.

granted, that mankind in general will not barter an object of more, for one of less urgent necessity. In a season of agricultural scarcity, a larger quantity of furniture will be given for a smaller quantity of human aliment; but it is invariably true, that, whenever barter takes place, the object given on one side is worth that given on the other, and that the one is procurable for the other. \*

Trade and barter, as we have seen above, adapt the products to the general nature of the demand. The objects, whether of food, of raiment, or of habitation, for which the strongest desire is felt, are of course the most in request: and the wants of each family, or individual, are more or less fully satisfied, in proportion to the ability to purchase these objects; which ability depends upon the productive means and exertion of each respectively; in plain terms, upon the revenue of

\* Although all products are necessary to the social existence of man, the necessity of food being of all others most urgent and unceasing, and of most frequent recurrence, objects of aliment are justly placed first in the catalogue of the means of human existence. They are not all, however, the produce of the national territorial surface; but are procurable by commerce as well as by internal agriculture; and many countries contain a greater number of inhabitants, than could subsist upon the produce of their land. Nay, the importation of another commodity may be equivalent to an importation of an article of food. The export of wines and brandies to the north of Europe is almost equivalent to an export of bread; for wine and brandy, in great measure, supply the place of beer and spirits distilled from grain, and thus allow the grain, which would otherwise be employed in the preparation of beer or spirits, to be reserved for that of bread.

each respectively. Thus, in the end, if we sift this matter to the bottom, we shall find, that families, and nations, which are but aggregations of families, subsist wholly on their own products ; and that the amount of product in each case necessarily limits the number of those, who can subsist upon it.

Such animals as are incapable of providing for future exigencies, after they are engendered, if they do not fall a prey to man, or some of their fellow brutes, perish the moment they experience an imperative want, which they have not the means of gratifying. But man has so many future wants to provide for, that he could not answer the end of his creation, without a certain degree of providence and forethought : and this provident turn can alone preserve the human species from part of the evils it would necessarily endure, if its numbers were to be perpetually reduced by the process of destructive violence.\*

\* The practice of infanticide in China proves, that the local prejudices of custom and of religion there counteract the foresight, which tends to check the increase of population : and one cannot but deplore such prejudices ; for the human misery resulting from the destruction is great, in proportion as its object is more fully developed, and more capable of sensation. For this reason it would be still more barbarous and irrational policy to multiply wars, and other means of human destruction, in order to increase the enjoyments of the survivors ; because the destructive scourge would affect human beings in a state more perfect, more susceptible of feeling and suffering, and arrived at a period of life, when the mature display of his faculties renders man more valuable to himself and to others.

Yet, notwithstanding the forethought ascribed to man, and the restraints imposed on him by reason, legislation, and social habits, the increase of population is always evidently co-extensive, and even something more than co-extensive, with the means of subsistence. It is a melancholy but an undoubted fact, that, even in the most thriving countries, part of the population annually dies of mere want. Not that all who perish from want absolutely die of hunger; though this calamity is of more frequent occurrence than is generally supposed.\* I mean only, that they have not at command all the necessaries of life, and die for want

\* The *Hospice de Bicêtre*, near Paris, contains, on the average, five or six thousand poor. In the scarcity of the year 1795, the governors could not afford them food, either so good or so abundant as usual; and I am assured by the house-steward of the establishment, that at that period almost all the inmates died.

It would appear from the returns given in a tract entitled, "*Observations on the Condition of the Labouring Classes*," by J. Barton, that the average of deaths, in seven distinct manufacturing districts of England, has been proportionate to the dearness, or, in other words, the scarcity of subsistence. I subjoin an extract from his statements:

Years.	Average price of wheat per qr.		Deaths.
	s.	d.	
1801 - - -	118	3	55,965
1804 - - -	60	1	44,794
1807 - - -	73	3	48,108
1810 - - -	106	2	54,864

From the same returns it appears, that the scarcity occasioned less mortality in the agricultural districts. The reason is

of some part of those articles of necessity. A sick or disabled person may, perhaps, require nothing more than a little rest, or medical advice, together with, perhaps, some simple remedy to set him up again; but the requisite rest, or advice, or remedy, are denied, or not afforded. A child may require the attentions of the mother, but the mother perhaps may be taken away to labour, by the imperious calls of necessity; and the child perish, through accident, neglect, or disease. It is a fact well-established by the researches of all who have turned their attention to statistics, that, out of an equal number of children of wealthy and of indigent parents, at least twice as many of the latter die in infancy as of the former. In short, scanty or unwholesome diet, the insufficient change of linen, the want of warm and dry clothing, or of fuel, ruin the health, undermine the constitution, and sooner or later bring multitudes of human beings to an untimely end; and all, that perish in consequence of a want beyond their means to supply, may be said to die of want.

Thus, to man, particularly in a forward state of civilization, a variety of products, some of

manifest: the labourer is there more commonly paid in kind, and the high sale-price of the product enabled the farmer to give a high purchase-price for labour. (s)

---

(s) The latter reason is not very satisfactory: for the total receipts of the corn-growers are probably not larger in years of scarcity, than in those of abundance. T.

them in the class of what have been denominated immaterial products, are necessaries of existence; these are multiplied in a degree proportionate to the desire for them, respectively, because its intensity causes a proportionate elevation of their price: and it may be laid down as a general maxim, that the population of a state is always proportionate to the sum of its production in every kind. \* This is a truth acknowledged by most writers on political economy, however various and discordant their opinions on most other points. †

\* Not but that accidental causes may sometimes qualify these general rules. A country, where property is very unequally distributed, and where a few individuals consume produce enough for the maintenance of numbers, will doubtless subsist a smaller population, than a country of equal production, where wealth is more equally diffused. The very opulent are notoriously averse to the burthen of a family; and the very indigent are unable to rear one.

† *Vide* Stewart, *On Political Economy*, book i. c. 4. *Quesnay*, *Encyclopédie*, art. *Grains*. *Montesquieu*, *Esprit des Loix*, liv. 18. c. 10. and liv. 23. c. 10. *Buffon*, ed. *de Bernard*, tom. iv. p. 266. *Forbonnais*, *Principes et Observations*, p. 39. 45. *Hume*, *Essays*, part 2. Ess. 2. *Œuvres de Poivre*, p. 145, 146. *Condillac*, *Le Commerce et le Gouvernement*, part 1. c. 24, 25. *Verri*, *Reflexions sur l'Economie Politique*, c. 210. *Mirabeau*, *Ami des Hommes*, tom. i. p. 40. *Raynal*, *Histoire de l'Etablissement*, liv. 11. s. 23. *Chastellux*, *De la Félicité Publique*, tom. ii. p. 205. *Necker*, *Administration des Finances de France*, c. 9. and *Notes sur l'Eloge de Colbert*. *Condorcet*, *Notes sur Voltaire*, ed. *de Kepl.* tom. xlv. p. 60. *Smith*, *Wealth of Nations*, book i. c. 8. 11. *Garnier*, *Abrégé Elémentaire*, part. 1. c. 3. and *Preface de sa Traduction de Smith*. *Canard*, *Principes d'Economie Politique*,

It appears to me, however, that one very natural consequence, deducible from this maxim, has escaped their observation; which is, that nothing can permanently increase population, except the encouragement and advance of production; and that nothing can occasion its permanent diminution, but such circumstances as attack production in its sources. (*u*)

The Romans were for ever making regulations to repair the loss of population, occasioned by their state of perpetual external warfare. (*w*)

p. 133. Godwin, (*t*) *On Political Justice*, book viii. c. 3. *Clavière, De la France et des Etats Unis*, ed. 2. p. 60. 315. Brown-Duignan, *Essay on the Principles of National Economy*, p. 97. Lond. 1776. *Beccaria, Elementi di Economia Publica*, par. prim. c. 2, 3. *Gorani, Recherches sur la Science du Gouvernement*, tom. ii. c. 7. *Sismondi, Nouv. Prin. d'Econ. Pol.* liv. vii. c. 1. *et seq.* *Vide* also, more especially, Malthus, *Essay on Population*, a work of considerable research; the sound and powerful arguments of which would put this matter beyond all dispute, if it indeed had been doubted.

---

(*t*) This writer has lately adventured a refutation of the work of Malthus; but his arguments, though urged with sufficient ingenuity and confidence, have made but few converts to his opinions. T.

(*u*) It is only the secondary source of production, *i. e.* industry, intellectual and corporeal, that is liable to human attack. Nature, the primary source, is far beyond the reach of human efforts or institutions. T.

(*w*) The examples of England, France, and the old states of the American union, prove, that, neither war nor emigration can cause any permanent reduction of a national population. T.



Their censors preached up matrimony ; their laws offered premiums and honors to plurality of children : but these measures were fruitless. There is no difficulty in getting children ; the difficulty lies in maintaining them. They should have enlarged their internal production, instead of spreading devastation amongst their neighbours. All their boasted regulations did not prevent the effectual depopulation of Italy and Greece, even long before the inroads of the barbarous northern hordes. \*

The edict of Louis XIV. in favor of marriage, awarding pensions to those parents, who should have ten, and larger ones to those, who should have twelve children, was attended with no better success. The premiums, that monarch held out in a thousand ways to indolence and uselessness, were much more adverse, than such poor encouragements could be conducive, to the increase of population.

It is the fashion to assert, that the discovery of the New World has tended to depopulate Old Spain ; whereas, her depopulation has resulted from the vicious institutions of her government, and the small amount of her internal product, in proportion to her territorial extent. † The most effectual encouragement to population is, the activity of industry, and the consequent multiplication of

\* *Vide Livii Hist. lib. vi. Plutarchi Moralia, xxx. De defectu oraculorum. Strabonis, lib. vii.*

† *Ustariz* has remarked, that the most populous provinces of Spain are those, from which there has been the greatest emigration to America.

the national products. It abounds in all industrious districts; and, when a virgin soil happens to co-operate with the exertions of a community, whence idleness is altogether discarded, its rapid increase is truly astonishing. In the United States of America, population has been doubling in the course of twenty years.

For the same reasons, although temporary calamities may sweep off multitudes, yet, if they leave untainted the sources of reproduction, they are sure to prove more afflicting to humanity, than fatal to population. It soon trenches again upon the limit, assigned by the aggregate of annual production. Messance has given some very curious calculations, whereby it appears, that, after the ravages occasioned by the famous plague of Marseilles in 1720, marriages throughout Provence were more fruitful than before. The Abbé d'Expilly comes to the same conclusion. The same effect was observable in Prussia, after the plague of 1710. Although it had swept off a third of the population, the tables of Sussmilch \* show the number of births, which, before the plague, amounted annually to about 26,000, to have advanced in the year following, 1711, to no less than 32,000. It might have been supposed, that the number of marriages, after so terrible a mortality, would have been at least considerably reduced; on the contrary, it actually doubled; a strong indication of the tendency of population to keep always on a level with the national resources.

\* Quoted by Malthus, in his *Essay on Popul.* vol. ii.

The loss of population is not the greatest calamity resulting from such temporary visitations ; the first and greatest is, the misery they occasion to the human race. Great multitudes cannot be swept from the land of the living by pestilence, famine, or war, without the endurance of a vast deal of suffering and agony, by numbers of sentient beings ; besides the pain, distress, and misery of the survivors ; the destitution of widows, orphans, brothers, sisters, and parents. It is a subject of additional regret, if, among the rest, there happen to fall one or two of those superior and enlightened men, whose single talents and virtues have more effect upon the happiness and wealth of nations, than the groveling industry of a million of ordinary mortals.

Moreover, a great loss of human beings, arrived at maturity, is certainly a loss of so much acquired wealth or capital ; for every grown person is an accumulated capital, representing all the advances expended during a course of many years, in training and making him what he is. A bantling a day old by no means replaces a man of twenty ; and the well-known expression of the Prince de Condé, on the victorious field of Senef, was equally absurd and unfeeling. \*

\* “ *Une nuit de Paris reparera tout cela.*” It requires the care and expenditure of twenty successive years to replace the full-grown man, that a cannon-ball has destroyed in a moment. The destruction of the human race by war is far more extensive than is commonly imagined. The ravage of a cultivated district, the plunder of dwelling-houses, the demolition of establishments of industry, the consumption of capital, &c. &c. deprive numbers of the means of livelihood, and cause many more to perish, than are left on the field of battle.

These destructive scourges of the human species, therefore, if not injurious to population, are at least an outrage on humanity ; on which account alone, their authors are highly criminal. \*

But, though such temporary calamities are more afflicting to humanity, than hurtful to the population of nations, far other is the effect of a vicious government, acting upon a bad system of political economy. This latter attacks the very principle of population, by drying up the sources of production ; and, since the numbers of mankind, as before seen, always approach nearly to the utmost

\* Upon this principle, no capital improvement of the medicinal or chirurgical art, like that of vaccination for instance, can permanently influence national population ; yet its influence upon the lot of humanity may be very considerable ; for it may operate powerfully to preserve beings already far advanced in age, in strength, and in knowledge ; whom to replace, would cost fresh births and fresh advances ; in other words, abundance of sacrifices, privations, and sufferings, both to the parents and the children. When population must be kept up by additional births, there is always more of the suffering incident to the entrance and the exit of human existence ; for they are both of more frequent occurrence. Population may be kept up with half the number of births and deaths, if the average term of life be advanced from forty to fifty years. There will, indeed, be a greater waste of the germs of existence ; but the condition of mankind must be measured by the quantum of human suffering, whereof mere germs are not susceptible. The waste of them is so immense, in the ordinary course of nature, that the small addition can be of no consequence. Were the vegetable creation endowed with sensation, the best thing that could happen to it would be, that the seeds of all the vegetables, now rooted up and destroyed, should be decomposed before the vegetative faculties were awakened.

limits the annual revenue of the nation will admit of, if the government reduce that revenue by the pressure of intolerable taxation, forcing the subject to sacrifice part of his capital, and consequently diminishing the aggregate means of subsistence and reproduction possessed by the community, such a government not only imposes a preventive check on further procreation, but may be fairly said to commit downright murder; for nothing so effectually thins the effective ranks of mankind, as privation of the means of subsistence.

The evil effects of monastic establishments upon population have been severely and justly inveighed against; but the mode, in which they operate, has been misunderstood; it is the idleness, not the celibacy, of the monastic orders, that ought to be censured. They put their lands into cultivation, it is true, but where is the merit of that? Would the lands remain untilled, if the monastic system were abolished? So far from that evil resulting from the abolition, wherever these establishments have been converted into manufactories, of which the French revolution has offered many examples, equal agricultural produce has continued to be raised, and the produce of the manufacturing industry has been all clear gain; while the increased total product, thus created, has been followed by an increase of population also.

From these premises, may likewise be drawn this further conclusion; that the inhabitants of a country are not more scantily supplied with the necessaries of life, because their number is on the

increase; nor more plentifully, because it is on the decline. Their relative condition depends on the relative quantity of products they have at their disposal; and it is easy to conceive these products to be considerable, though the population be dense; and scanty, though the population be thinly spread. Famine was of more frequent occurrence in Europe during the middle ages, than it has been of late years, although Europe is evidently more thickly peopled at present. The product of England, during the reign of Queen Elizabeth, was not nearly so abundant as it is now, although her population was then less by half; and the population of Spain, reduced to but eight millions, enjoys not nearly so much affluence, as when it amounted to twenty-four.\*

Some writers† have considered a dense population as an index of national prosperity; and, doubtless, it is a certain sign of enlarged national production. But general prosperity implies the general diffusion and abundance of all the necessaries, and some of the superfluities, of life amongst all classes of the population. Some parts of India and of China are oppressed with population and with misery also; but their condition would be nowise

\* If population depends on the amount of product, the number of births is a very imperfect criterion, by which to measure it. When industry and produce are increasing, births are multiplied disproportionately to the existing population, so as to swell the estimate: on the contrary, in the declining state of national wealth, the actual population exceeds the average ratio to the births.

† Wallace, *Condorcet*, Godwin.

improved by thinning its numbers, at least if it were brought about by a diminution of the aggregate product. Instead of reducing the numbers of the population, it were far more desirable to augment the gross product; which may always be effected by superior individual activity, industry, and frugality, and the better administration, that is to say, the less frequent interference, of public authority.

But, it will naturally be asked, if the population of a country regularly keeps pace with its means of subsistence, what will become of it in years of scarcity and famine?

Hear what Stewart\* says on this subject: "There is a very great deception as to the difference between crops: a good year for one soil is a bad one for another." "It is far from being true," he continues, "that the same number of people consume always the same quantity of food. In years of plenty, every one is well fed;—food is not so frugally managed; a quantity of animals are fattened for use;—and people drink more largely, because all is cheap. A year of scarcity comes; the people are ill fed; and, when the lower classes come to divide with their children, the portions are brought to be very small;" instead of saving, they consume their previous hoard; and, after all, it is unhappily too true, that part of that class must suffer and perish.

This calamity is most common in countries

\* Sir James, of Coltness, book i. c. 17.

overflowing with population, like Hindu,stan or China, where there is little external or maritime commerce, and where the poorer classes have always been strictly limited to the mere necessaries of life. There, the produce of ordinary years is barely sufficient to allow this miserable pittance ; consequently, the slightest failure of the crop leaves multitudes wholly destitute of common necessaries, to rot and perish by wholesale. All accounts agree in representing, that famines are, for this reason, very frequent and destructive in China and many parts of Hindu,stan.

Commerce in general, and maritime commerce in particular, facilitates the interchange of products, even with the most remote countries, and thus renders it practicable to import articles of subsistence, in return for several other kinds of produce ; but too great a dependence on this resource, leaves the nation at the mercy of every natural or political occurrence, which may happen to intercept or derange the intercourse with foreign countries. This intercourse must then be preserved at all events, no matter whether by force or fraud ; competition must be got rid of by every means, however unjustifiable ; a separate province, or weak ally, perhaps, is obliged to purchase the national products, under restrictions equally galling, as the exaction of actual tribute ; and a commercial monopoly enforced, even at the hazard of a war ; all which evils make the state of the nation extremely precarious indeed.

The produce of England, in articles of human



subsistence, had undoubtedly increased largely towards the end of the 18th century; but its produce in articles of apparel and household furniture had probably increased still more rapidly. The consequence has been, that immensity of production, which enables her to multiply her population beyond what the produce of her soil can support \*, and to bear up under the pressure of public burthens, to which there is no parallel nor even approximation. But England has suffered severely, whenever foreign markets have been shut against her produce; and she has sometimes been obliged to resort to violent means to preserve her external intercourse. She would act wisely, perhaps, in discontinuing those encouragements, that impel fresh capital into the channels of manufacture and external commerce, and directing it rather towards that of agricultural industry. It is probable, that, in that case, several districts, which have not yet received the utmost cultivation of which they are susceptible, particularly many parts of Scotland and Ireland, would raise agricultural produce enough to purchase most part, if not the whole, of the surplus product of her manufactures and commerce beyond her present consumption. † Great

\* In a pamphlet entitled, *Considerations on British Agriculture*, published in 1814, by W. Jacob, a member of the Royal Society, and a well-informed writer upon agricultural topics, we are told, (p. 34.), that England ceased to be an exporter, and became an importer, of wheat, about the year 1800.

† The writer last cited enters into long details to show, that the soil of the British Isles could be made to produce at least a third more than their present product, *ibid.* p. 115. *et seq.*

Britain would thereby create for herself a domestic consumption, which is always the surest and the most advantageous. Her neighbours, no longer offended by the necessarily jealous and exclusive nature of her policy, would probably lay aside their hostile feelings, and become willing customers. But, after all, if her manufactured, should still be disproportioned to her agricultural, produce, what is there to prevent her from adopting a system of judicious colonization, and thus creating for herself fresh markets for the produce of her domestic industry in every part of the globe, whence she might derive, in return, a supply of food for her superfluous population? \*

In this particular, the position of France appears to be precisely opposite to that of Great Britain. It would seem, that her agricultural product is equal to the maintenance of a much larger

\* By judicious colonization I mean, colonization formed on the principles of complete expatriation, of self-government without control of the mother-country, and of freedom of external relations; but with the enjoyment of protection only by the mother-country, while it should continue necessary. Why should not political bodies imitate in this particular the relation of parent and child? When arrived at the age of maturity, the personal independence of the child is both just and natural; the relation it engenders is, moreover, the most lasting and most beneficial to both parties. Great part of Africa might be peopled with European colonies formed on these principles. The world has yet room enough, and the cultivated land on the face of the globe is far inferior in extent to the fertile land remaining untilled. The Earl of Selkirk has thrown much light on this matter in his tract on *Emigration and the State of the Highlands*.

manufacturing and commercial population. The face of the country presents the picture of high and general cultivation; but the villages and country towns are, for the most part, surprisingly small, poor, ill-built, and ill-paved, the few shops scantily supplied, and the public-houses, neither neat nor comfortable. It is plain, the agricultural product must either be less than the appearance would indicate, or it must be consumed in a thriftless and unprofitable manner; probably both these causes are in operation.

In the first place, the production is far less than it might be; and this is chiefly owing to three causes:—1. the want of capital, particularly in enclosures, live-stock, and ameliorations\*: 2. the indolence of the cultivators, and the too general neglect of weeding, trimming the hedges, clearing the trees of moss, destroying insects, &c. &c. 3. the neglect of a proper alternation of crops, and of the most approved methods of cultivation. (*x*)

\* The want of capital prevents the employment of machinery for expediting the operations, like the thrashing machine in common use in England. This makes a larger supply of human agency requisite in agriculture; and the more mouths there are to be fed, the smaller will be the surplus produce, which alone is disposable.

---

(*x*) These causes of impoverishment are chiefly referable to the minute division of landed property; the baneful effects of which, upon agricultural improvement and productive power, have been well observed upon in the Edinburgh Review, No. xvii. art. 1. T.

In the second place, the consumption is unthrifty and unprofitable; for a great part of it is mere waste, and yields no human gratification whatever. To speak of one article alone, that is, of firing, which is an object of great value in districts, where coal and wood are scarce; the waste of it is enormous in the huts of the peasantry, lighted as they often are by the door-way only, and admitting the rain down the chimney while the fire is burning. Unwholesome beverage or food, and the indulgence of the ale-house, are like injurious modes of consumption.

In fine, towns and villages would be more thickly spread, and would besides present an appearance of greater affluence, were the generality of the inhabitants more active and industrious, and actuated by the laudable emulation, tintured perhaps with some little vanity, rather of possessing every object of real utility, and exhibiting in their domestic arrangements the utmost order and neatness, than of living in indolence upon the rent of a trifling patrimony, or the scanty salary of some useless public employ. The small proprietor with an income of 1 or 2000 *fr.* per annum, just sufficient to vegetate upon, might double or triple it perhaps by adding the revenue derivable from personal industry; and even those, engaged in useful occupations, do not push them to the full extent of their activity and intelligence. Moreover, the spirit of enquiry and improvement has probably been disheartened by the example of frequent ill success; although the failure has commonly been

occasioned by the want of judgment, perseverance, and frugality.

National population is uniformly proportionate to the quantum of national production; but it may vary locally within the limits of each state, according to the favorable, or unfavorable operation of local circumstances. A particular district will be rich, because its soil is fertile, its inhabitants industrious, and possessed of capital accumulated by their frugality; in like manner as a family will surpass its neighbours in wealth, because of its superior intelligence and activity. The boundaries and political constitutions of states affect population only, inasmuch as they affect the national production. The influence of religion and national habits upon population is precisely analogous. All travellers agree, that protestant, are both richer and more populous than catholic countries; and the reason is, because the habits of the former are more conducive to production.

## SECT. II.

*Of the influence of the Quality of a national product upon the local distribution of the Population.*

FOR the earth to be cultivated, it is necessary that population should be spread over its surface; for industry and commerce to flourish, it is desirable to bring it together in those spots, where the arts may be exercised with the most advantage;

that is to say, where there can be the greatest subdivision of labour. The dyer naturally establishes himself near the clothier; the druggist near the dyer; the agent, or owner, of a vessel employed in the transport of drugs will approximate in locality to the druggist; and so of other producers in general.

At the same time, all such as live without labour on the interest of capital, or the rent of landed property, are attracted to the towns, where they find brought to a focus every luxury to feed their appetites, as well as a choice of society, and a variety of pleasure and amusement. The charms of a town life attract foreign visitors, and all such as live by their labour, but are free to exercise it wherever they like. Thus, towns become the abode of literary men and artisans, and likewise the seat of government, of courts of justice, and most other public establishments; and their population is enlarged by the addition of all the persons attached to such establishments, and all who are accidentally brought thither by business.

Not but what there is always a number of country residents, that are employed in manufacturing industry, exclusive of such as make it their abode in preference. Local convenience, running water, the contiguity of a forest or a mine, will draw a good deal of machinery, and a number of labourers in manufacture, out of the precincts of towns. There are, likewise, some kinds of work, which must be performed in the neighbourhood of the consumers; that of the taylor, the

shoemaker, or the farrier ; but these are trifling compared with the manufacturing industry of all kinds executed in towns.

Writers on political economy have calculated, that a thriving country is capable of supporting in its towns, a population equal to that of the country. Some examples lead to an opinion, that it could support a still greater proportion, were its industry directed with greater skill, and its agriculture conducted with more intelligence and less waste, even supposing its soil to be of very moderate fertility.\* Thus much at least is cer-

\* There is good reason to believe, that the total population of England is more than the double of that employed in her internal agriculture. From the returns laid before parliament in 1811, it appears there were in Great Britain, inclusive of Wales and Scotland, 895,998 families employed in agriculture; and that the total number of families amounted to 2,544,215, which would give but a third of the population to the purposes of agriculture.

According to Arthur Young, the country population of France, within her old limits, was - - - 20,521,538

And that of the cities and towns, - - - 5,709,270

Making a total of - - - - 26,230,808

Supposing him to be correct, France, within her old boundary, could maintain, on this principle, a population of 41 millions, supposing her merely to double her agricultural population; and of 60 millions, supposing her industry were equally active with that of Great Britain. (*y*)

It is the general remark of travellers, that the traffic on the  
great

---

(*y*) Our author has here fallen into a palpable error. The ratio of the agricultural, to the total population of Great Britain,

tain, that, when the towns raise products for foreign consumption, they are then enabled to draw from abroad provisions in return, and may sustain a population much larger in proportion to that of the country. Of this we have instances in the numerous petty states, whose territory alone is barely sufficient to afford subsistence to one of the suburbs of their capital.

Again, the cultivation of pasture-land requiring much less human labour than that of arable, it follows, that, in grazing-countries, a greater proportion of the inhabitants can apply themselves to the arts of industry; which are therefore more attended to in pasture than in corn countries. Witness Flanders, Holland, and Normandy that was. (z)

great roads of France is much less, than might be expected, in a country possessing so many natural advantages. This may be attributed chiefly to the small number and size of her towns; for it is the communication from town to town that peoples the great roads; that of the rural population being principally from one part of the village or farm to another.

---

has not been varied as above stated, solely, or even chiefly by the multiplication of the commercial and manufacturing classes; but by the transfer of the human labour spared in agriculture to the two other branches of industry. Agriculture might occupy one-third only of the population of France, and yet the total population be decreased and not multiplied. T.

(z) This position is too general. A pastoral nation, devoting the whole of its territory to pasture, could spare a very small proportion of its population for commerce and manufacture; witness Tartary, and the Pampas of South America. Where a dense



From the period of the irruption of the barbarians into the Roman empire, down to the 17th century, that is to say, to a date almost within living memory, the towns made but little figure in the larger states of Europe. That portion of the population, which is thought to live upon the cultivators of the land, was not then, as now, composed principally of merchants and manufacturers, but consisted of a nobility, surrounded by numerous retainers, of churchmen, and other idlers, the tenants of the *chateau*, the abbey, or the convent, with their several dependencies; very few of them living within the towns. The products of manufacture and commerce were very limited indeed; the manufacturers were the poor cottagers, and the merchants mere pedlars; a few rude implements of husbandry, and some very clumsy utensils and articles of furniture, answered all the purposes of cultivation and ordinary life. The fairs held three or four times in the year furnished commodities of a superior quality, which we should now look upon with contempt; and what rare household articles, stuffs, or jewels, of price, were from time to time imported from the commercial cities of Italy, or from the Greeks of Constanti-

---

dense manufacturing and commercial population makes it advantageous to the land-holder to devote his land to pasture, and look to foreigners for the supply of corn, as in Holland, a small proportion of the population may, indeed, be required for domestic, but a large proportion will be required for the animation of foreign, agriculture. T.

noble, were regarded as objects of uncommon luxury and magnificence, far too costly for any but the richest princes and nobles.

In this state of things, the towns of course made but a poor figure. Whatever magnificence they may possess in our time is of very modern date. In all the towns of France together, it would be impossible to point out a single handsome range of buildings, or fine street, of two hundred years' antiquity. There is nothing of anterior date, with the exception of a few gothic churches, but clumsy tenements huddled together in dirty and crooked streets, utterly impassable to the swarm of carriages, cattle, and foot-passengers, that indicates the present population and opulence.

No country can yield the utmost agricultural produce it is equal to, until every part of its surface be studded with towns and cities. Few manufactures could arrive at perfection, without the conveniencies they afford; and, without manufactures, what is there to give in exchange for agricultural products? A district, whose agricultural products can find no market, feeds not half the number of inhabitants it is capable of supporting; and the condition, even of those it does support, is rude enough, and destitute both of comfort and refinement; they are in the lowest stage of civilization. But, if an industrious colony comes to establish itself in the district, and gradually forms a town, whose inhabitants increase till they equal the numbers of the original cultivators, the town will find subsistence on the agricultural product of the district, and the cultivators

be enriched by the product of the industry of the town.

Moreover, towns offer indirect channels for the export of the agricultural values of the district to a distant market. The raw products of agriculture are not easy of transport, because the expense soon swallows up the total price of the commodity transported. Manufactured produce has greatly the advantage in this respect; for industry will frequently attach very considerable value to a substance of little bulk and weight. By the means of manufacture, the raw products of national agriculture are converted into manufactured goods of much more condensed value, which will defray the charge of a more distant transport, and bring a return of produce adapted to the wants of the exporting country.

There are many of the provinces of France, that are miserable enough at present, yet want nothing but towns to bring them into high cultivation. Their situation would, indeed, be hopeless, were we to adopt the system of that class of economists, which recommends the purchase of manufactures from foreign countries, with the raw produce of domestic agriculture.

However, if towns owe their origin and increase to the concentration of a variety of manufactures, great and small, manufactures, again, are to be set in activity by nothing but productive capital; and productive capital is only to be accumulated by frugality of consumption. Wherefore, it is not enough to trace the plan of a town, and give it a

name ; before it can have real existence, it must be gradually supplied with industrious hands, mechanical skill, implements of trade, raw materials, and the necessary subsistence of those engaged in industry, until the completion and sale of their products. Otherwise, instead of founding a city, a mere scaffolding is run up, which must soon fall to the ground, because it rests upon no solid foundation. This was the case with regard to Ecatherinoslaw, in the Crimea ; and was, indeed, foreseen by the emperor Joseph II., who assisted at the ceremony of its foundation, and laid the second stone in due form : ‘ The empress of Russia and myself,’ said he to his suite, ‘ have completed a great work in a single day : she has laid the first stone of a city, and I have laid the finishing one.’

Nor will capital alone suffice to set in motion the mass of industry and the productive energy necessary to the formation and aggrandizement of a city, unless it present also the advantages of locality and of beneficent public institutions. The local position of Washington, it should seem, is adverse to its progress in size and opulence ; for it has been outstripped by most of the other cities of the Union ; whereas, Palmyra, in ancient times, grew both wealthy and populous, though in the midst of a sandy desert, solely because it had become the *entrepôt* of commerce between Europe and eastern Asia. The same advantage gave importance and splendor to Alexandria, and, at a still more remote period, to Egyptian Thebes. The

mere will of a despot could never have made it the city of a hundred gates, and of the magnitude and populousness recorded by Herodotus. Its grandeur must have been owing to its vicinity to the Red Sea and the channel of the Nile, and to its central position between India and Europe. (a)

If a city cannot be raised, neither does it seem, that its further aggrandizement can be arrested by the mere fiat of the monarch. Paris continued to increase, in defiance of abundance of regulations issued by the government of the day to limit its extension. The only effectual barrier is that opposed by natural causes, which it would be very difficult to define with precision, for it consists rather of an aggregate of little inconveniences, than of any grand or positive obstruction. In overgrown cities, the municipal administration is never well attended to; a vast deal of valuable time is lost in going from one quarter to another; the crossing and jostling is immense in the central parts; and the narrow streets and passages, having been calculated for a much smaller population, are

---

(a) There is some stretch of imagination in this. Probably the Egyptian Thebes was itself the centre of manufacture and commerce in its day, and not its *entrepôt*; indeed, there is no reason to suppose a very active intercourse between India and Europe to have existed at so early a period; and, if it had, Thebes would hardly have been the *entrepôt*. But central India furnishes itself instances of cities containing as large a population. Nineveh and Babylon seem to have been quite as populous; each was probably the central point of an enormous domestic industry. T.

unequal to the vast increase of horses, carriages, passengers, and traffic of all sorts. This evil is felt most seriously at Paris, and accidents are growing more frequent every day; yet new streets are now building on the same defective plan, with a certain prospect of a like inconvenience in a very few years hence.

## BOOK III.

### OF THE CONSUMPTION OF WEALTH.

---

#### CHAP. I.

##### OF THE DIFFERENT KINDS OF CONSUMPTION.

IN the course of my work, I have frequently been obliged to anticipate the explanation of terms and notions which, in the natural order, should have been postponed to a later period of the investigation. Thus, I was obliged in the first book to explain the sense, in which I used the term, *consumption*, because production cannot be effected without consumption.

My reader will have seen from the explanation there given, that, in like manner as by production is meant the creation, not of substance, but of utility (*a*), so by consumption is meant the destruction of utility, and not of substance, or matter. When once the utility of a thing is destroyed, there is an end of the source and basis of its value; — an extinction of that, which made it an object of

---

(a) *Vide suprâ*, Book I. chap. 1. note (c).

desire and of demand. It thenceforward ceases to possess value, and is no longer an item of wealth.

Thus, the terms, to *consume*, to *destroy* the *utility*, to *annihilate* the *value* of any thing, are as strictly synonymous as the opposite terms, to *produce*, to *communicate utility*, to *create value*, and convey to the mind precisely the same idea. Consumption, then, being the destruction of value, is commensurate, not with the bulk, the weight, or the number of the products consumed, but with their value. Large consumption is the destruction of large value, whatever form that value may happen to have assumed.

Every product is liable to be consumed; because the value, which can be added to, can likewise be subtracted from, any object. If it has been added by human exertion or industry, it may be subtracted by human use, or a variety of accidents. But it cannot be more than once consumed; value once destroyed cannot be destroyed a second time. Consumption is sometimes rapid; sometimes gradual. A house, a ship, an implement of iron, are equally consumable as a loaf, a joint of meat, or a coat. Consumption again may be but partial. A horse, an article of furniture, or a house, when re-sold by the possessor, has been but partially consumed; there is still a residue of value, for which an equivalent is received in exchange on the re-sale. Sometimes consumption is involuntary, and either accidental, as when a house is burnt, or a vessel shipwrecked; or contrary to



the consumer's intention, as when a cargo is thrown overboard, or stores set on fire to prevent their falling into enemies' hands.

Value may be consumed, either long after its production, or at the very moment, and in the very act of production; as in the case of the pleasure afforded by a concert, or theatrical exhibition. Time and labour may be consumed; for labour, applicable to an useful purpose, is an object of value, and, when once consumed, can never be consumed again.

Whatever cannot possibly lose its value is not liable to consumption. A landed estate cannot be consumed; but its annual productive agency may; for, when once that agency has been exerted, it cannot be exerted again. The improvements of an estate may be consumed, although their value may possibly exceed that of the estate itself; for these improvements are the effect of human exertion and industry; but the land itself is inconsumable. \* (b)

So likewise it is with any industrious faculty. One may consume a labourer's day's work, but

\* Some materials are capable of receiving and discharging the same kind of value many times over; as linen, which will undergo repeated washing. The cleanliness given it by the laundress, is a value wholly consumed on each occasion, along with a part of that of the linen itself.

---

(b) It is not every improvement of land that is consumable: *Vide supra*, Book I. chap. 3. note (a).

not his faculty of working ; which, however, is liable to destruction by the death of the person possessing it.

All products are consumed sooner or later ; indeed, they are produced solely for the purpose of consumption ; and, whenever the consumption of a product is delayed after it has reached the point of absolute maturity, it is value inert and neutralized for the time. For, as all value may be employed re-productively, and made to yield a profit to the possessor, the withholding a product from consumption is a loss of the possible profit, in other words, of the interest, its value would have yielded, if usefully employed. \*

\* The values not consumed sooner or later in an useful way are of little moment : such are, provisions spoiled by keeping, products lost accidentally, and those whose use has become obsolete, or which have never been used at all, owing to the failure of the demand for them, wherein value originates. Values buried, or concealed, are commonly withdrawn but for a time for consumption ; when found, it is always the interest of the finder to turn them to account, which he cannot do without submitting them to consumption. In this case, the only loss is that of the profit derivable from them during the period of their disappearance, and may be reckoned equivalent to the interest for that time.

The same observation applies to the minute savings, successively laid by until the moment of investment, the aggregate of which is, doubtless, considerable. The loss, resulting from this inertness of capital, may be partially remedied by moderating the duties on transfer, by extending to the utmost the facility of circulation, and by the establishment of banks of deposit, in which capital may be safely vested, and whence it may readily be withdrawn. In times of political confusion, and under an arbitrary government, many will prefer to keep  
their

But, products being universally destined for consumption, and that too in the quickest way, how, it may be asked, can there be ever any accumulation of capital, that is to say, of values produced?

I answer — that value may be accumulated, without being necessarily vested all the while in the same identical product, provided only that it be perpetuated in some product or other. Now, values employed as capital are perpetuated by reproduction; the various products, of which capital consists, are consumed like all other products; but their value is no sooner destroyed by consumption, than it re-appears in another, or a similar substance. A manufactory cannot be kept up, without a consumption of victuals and clothes for the workmen, as well as of the raw material of manufacture; but, while value in those forms is undergoing consumption, new value is communicated to the object of manufacture. The items, that composed the capital so expended, are consumed and gone; but the capital — the accumulated value, still exists, and re-appears under a new form, applicable to a second course of consumption. Whereas, if consumed unproductively, it never re-appears at all.

The annual consumption of an individual is, the aggregate of all the values consumed by that indi-

their capital inactive, concealed, and unproductive, either of profit, or gratification, rather than run the risk of its display. This latter evil is never felt under a good government.

vidual within the year. The annual consumption of a nation is, the aggregate of values consumed within the year by all the individuals and communities, whereof the nation consists.

In the estimate of individual or national consumption, must be included every kind of consumption, whatever be its motive or consequence, whether productive of new value or not; in like manner, as the estimate of the annual production of a nation comprises the total value of its products raised within the year. Thus, a soap manufactory is said to consume such or such a quantity or value of alkali in a year, although this value be reproduced from the manufactory in the shape of soap; on the other hand, it is said to produce annually such and such a quantity or value of soap, although the production may have cost the destruction of a great variety of values, which, if deducted, would vastly reduce the apparent product. By annual production or consumption, national or individual, is therefore meant, the gross, and not the net amount.\*

Whence it naturally follows, that all the commodities, a nation imports, must be reckoned as part of its annual product, and all its exports as part of its annual consumption. The trade of France consumes the total value of the silk it exports to the United States; and produces, on the other hand, the total value of cotton received in return. And, in like manner, the manufacture

\* For the distinction between the *gross* and the *net* product, *vide supra*, Book II. chap. 5.

of France consumes the value of alkali employed by the soap-boiler, and produces the value of soap derived from the concern.

The total annual consumption of a nation, or an individual, is a very different thing from the aggregate of capital. A capital may be wholly or partially consumed several times in a year. When a shoemaker buys leather, and cuts and works it up into shoes, there is so much capital consumed and reproduced. Every time he repeats the operation, there is so much more capital consumed. Suppose the leather purchased to amount to 200 *fr.*, and the operation to be repeated 12 times in the year, there will have been an annual consumption of 2400 *fr.* upon a capital of 200 *fr.* On the other hand, there may be portions of his capital, implements of trade, for instance, which it may take several years to consume. Of this part of his capital he may consume annually but  $\frac{1}{4}$  or  $\frac{1}{10}$  perhaps.

In each country, the wants of the consumer determine the quality of the product. The product most wanted is most in demand; and that which is most in demand yields the largest profit to industry, capital, and land, which are therefore employed in raising this particular product in preference: and, *vice versâ*, when a product becomes less in demand, there is less profit to be got by its production; it is, therefore, no longer produced. All the stock on hand falls in price; the low price encourages the consumption, which soon absorbs the stock on hand.

The total national consumption may be divided into the heads of public consumption, and private consumption; the former is effected by the public, or in its service; the latter by individuals or families. Either class may be productive or unproductive.

In every community, each member is a consumer; for no one can subsist without the satisfaction of some necessary wants, however confined and limited; on the other hand, all, who do not live on mere charity, or gratuitous bounty, contribute somehow to production, by their industry, their capital, or their land; wherefore, the consumers may be said to be themselves the producers; and the great bulk of consumption takes place amongst the middling and poorer classes, whose numbers more than counterbalance the smallness of the share allotted to each. \*

\* It is probable, that, in all countries, anywise advanced in industry, the revenues of industry exceed those of capital and land united, and, consequently, that the consumption of those deriving income solely from industry, and wholly dependent for subsistence upon their personal faculties, exceeds that of both capitalists and landlords together. It is not uncommon to meet with a manufactory, that, with a capital, say of 600,000 *fr.* will pay daily in wages to its people, 300 *fr.*, which, with the deduction of Sundays and holidays, makes 90,000 *fr.* per annum; if to this be added, 20,000 *fr.* more for the net profits of personal superintendance and management, it will give a total of 110,000 *fr.* per annum, for the revenue of industry alone. The same capital, vested in land at but 20 years' purchase, would yield a revenue of 30,000 *fr.* only.

The cultivation by *metayers*, the very lowest description of farmers, gives to them, and their subordinate labourers' industry, a revenue equal to that of the land jointly with the capital, which is advanced by the proprietor.

Opulent, civilised, and industrious nations, are greater consumers than poor ones, because they are infinitely greater producers. They annually, and in some cases, several times in the course of the year, re-consume their productive capital, which is thus continually renovated; and consume, unproductively, the greater part of their revenues, whether derived from industry, from capital, or from land.

It is not uncommon to find authors proposing, as the model for imitation, those nations, whose wants are few; whereas, it is far preferable to have numerous wants, along with the power to gratify them. This is the way at once to multiply the human species, and to give to each a more enlarged existence.

Stewart\* extols the Lacedemonian policy, which consisted in practising the art of self-denial in the extreme, without aiming at progressive advancement in the art of production. But herein the Spartans were rivalled by the rudest tribes of savages, which are commonly neither numerous nor amply provided. Upon this principle, it would be the very *acmé* of perfection to produce nothing and to have no wants; that is to say, to annihilate human existence.

\* Book II. chap. 14.

## CHAP. II.

## OF THE EFFECT OF CONSUMPTION IN GENERAL.

THE immediate effect of consumption of every kind is, the loss of value, consequently, of wealth, to the owner of the article consumed. This is the invariable and inevitable consequence, and should never be lost sight of in reasoning on this matter. A product consumed is a value lost to all the world and to all eternity ; but the further consequence, that may follow, will depend upon the circumstances and nature of the consumption.

If the consumption be unproductive, there usually results the gratification of some want, but no reproduction of value whatever ; if productive, there results the satisfaction of no want, but a creation of new value, equal, inferior, or superior in amount to that consumed, and profitable or unprofitable to the adventurer accordingly. \*

\* This may be illustrated by the burning of fuel in a grate or furnace. The fuel burnt serves, either to give warmth, or to cook victuals, boil dyeing ingredients, and the like, and thereby to increase their value. There is no utility in the mere gratuitous act of burning, except inasmuch as it tends to satisfy some human want, that of warmth for instance ; in which case, the consumption is unproductive ; or inasmuch as it confers



Thus, consumption may be regarded as an act of barter, wherein the owner of the value consumed gives up that value on the one hand, and receives in return, either the satisfaction of a personal want, or a fresh value, equivalent to the value consumed.

It may be proper here to remark, that consumption, productive of nothing beyond a present gratification, requires no skill or talent in the consumer. It requires neither labour nor ingenuity to eat a good dinner, or dress in fine clothes.\* On the contrary, productive consumption, besides yielding no immediate or present gratification, requires an exertion of combined labour and skill, or, of what has all along been denominated, *industry*.

When the owner of a product ready for consumption has himself no industrious faculty, and wishes, but knows not how, to consume it produc-

fers upon a substance submitted to its action, a value, that may replace the value of the fuel consumed; in which case, the consumption is productive.

If the fuel, burnt for the sake of warmth, produce either no warmth at all or very little; or that burnt to give value to a substance give it no value, or a less value, than the value consumed in fuel, the consumption will be ill-judged and improvident.

\* There is unquestionably a sort of talent requisite in the expenditure of a large income with credit to the proprietor, so as to gratify personal taste, without awakening the self-love of others; to oblige, without the sense of humiliation; to labour for the public good, without alarming individual interests. But this kind of talent is referable rather to the head of practical, while its influence upon the rest of mankind falls within the province of theoretical, morality.

tively, he lends it to some one more industrious than himself, who commences by destroying it, but in such a way, as to reproduce another, and thereby enable himself to make full restitution to the lender, after retaining the profit of his own skill and labour. The value returned consists of different objects from that lent, it is true: indeed, the condition of a loan is in substance this; to replace the value lent, of whatever amount, say, of 10,000 *fr.*, at a time specified, by other value, equivalent to the same amount of silver coin of the like weight and quality at the time of repayment. An object, lent on condition of specific restitution, cannot be available for reproduction; because, by the terms of the loan, it is not to be consumed.

Sometimes a producer is the consumer of his own product; as when the farmer eats his own poultry or vegetables; or the clothier wears his own cloth. But, the objects of human consumption being far more varied and numerous, than the objects of each person's production respectively, most operations of consumption are preceded by a process of barter. He first turns into money, or receives in that shape, the values composing his individual revenue; and then changes again that money for the articles he purposes to consume. Wherefore, in common parlance, to spend and to consume have become nearly synonymous. Yet, by the mere act of buying, the value expended is not lost; for the article purchased has likewise a value, which may be parted with again for what

it cost, if it has not been bought over-dear. The loss of value does not happen till the actual consumption, after which the value is destroyed; it then ceases to exist, and is not the object of a second consumption. For this reason it is, that, in domestic life, the bad management of the wife soon runs through a moderate fortune; for she in general regulates the daily consumption of the family, which is the chief source of expense, and one that is always recurring.

This will serve to expose the error of the notion, that where there is no loss of money, there can be no loss of wealth. It is the commonest thing in the world, to hear it roundly asserted, that the money spent is not lost, but remains in the country; and, therefore, that a country cannot be impoverished by its internal expenditure. It is true, the value of the money remains as before; but the object, or the hundred objects, perhaps, that have been successively bought with the same money, have been consumed, and their value destroyed.

Wherefore, it is superfluous, I had almost said ridiculous, to confine at home the national money, for the purpose of preserving national wealth. Money by no means prevents the consumption of value, and the consequent diminution of wealth; on the contrary, it facilitates the arrival of consumable objects at their ultimate destination; which is a most beneficial act, when the end is well chosen, and the result satisfactory. Nor would it be correct even to maintain, that the export of specie is at all events a loss, although its presence

in the country may be no hindrance to consumption, or to the diminution of wealth. For, unless it be made without any view to a return, which is rarely the case, it is in fact the same thing as productive consumption; being merely a sacrifice of one value, for the purpose of obtaining another. Where no return whatever is in view, there indeed is so much loss of national capital; but the loss would be quite as great, were goods, and not money, so exported.

## CHAP. III.

## OF THE EFFECT OF PRODUCTIVE CONSUMPTION.

THE nature of productive consumption has been explained above in Book I. The value absorbed by it is what has been called, capital. The trader, manufacturer, and cultivator, purchase the raw material \* and productive agency, which they consume in the preparation of new products; and the immediate effect is precisely the same, as that of unproductive consumption; viz. to create a demand for the objects of their consumption, which operates upon their price, and upon their production; and to cause a destruction of value. But the ultimate effect is different; there is no satisfaction of a human want, and no resulting gratification, except that accruing to the adventurer from the possession of the fresh product, the value of which replaces that of the products consumed, and commonly affords him a profit into the bargain.

To this position, that productive consumption

\* The raw materials of manufacture and commerce are, the products bought with a view to the communication to them of further value. Calicoes are raw-material to the calico-printer, and printed calicoes to the dealer who buys them for resale or export. In commerce, every act of purchase is an act of consumption; and every act of re-sale, an act of re-production.

does not immediately satisfy any human want, a cursory observer may possibly object, that the wages of labour, though a productive outlay, go to satisfy the wants of the labourer, in food, raiment, and amusement perhaps. But, in this operation, there is a double consumption: 1. of the capital consumed productively in the purchase of productive agency, wherefrom results no human gratification; 2. of the daily or weekly revenue of the labourer, *i. e.* of his productive agency, the recompense for which is consumed unproductively by himself and his family, in like manner as the rent of the manufactory, which forms the revenue of the landlord, is by him consumed unproductively. And this does not imply the consumption of the same value twice over, first productively, and afterwards unproductively; for the values consumed are two distinct values, resting upon bases altogether different. The first, the productive agency of the labourer, is the effect of his muscular power and skill, which is itself a positive product, bearing value like any other. The second is a portion of capital, given by the adventurer in exchange for that productive agency. After the act of exchange is once completed, the consumption of the value given on either side is cotemporaneous, but with a different object in view; the one being intended to create a new product, the other to satisfy the wants of the productive agent and his family. Thus, the object, expended and consumed by the adventurer, is the equivalent he receives for his capital; and that, consumed unproductively by the

labourer, is the equivalent for his revenue. (a) The interchange of these two values by no means makes them one and the same.

So likewise, the intellectual industry of superintendance is reproductively consumed in the concern ; and the profits, accruing to the adventurer as its recompense, are consumed unproductively by himself and his family.

In short, this double consumption is precisely analogous to that of the raw material used in the concern. The clothier presents himself to the wool-dealer, with 1000 crowns in his hand : there are, at this moment, two values in existence ; on the one side, that of the 1000 crowns, which is the result of previous production, and now forms a part of the capital of the clothier ; on the other, the wool constituting a part of the annual product of a grazing farm. These products are interchanged, and each is separately consumed ; the capital, converted into wool, in a way to produce cloth ; the product of the farm, converted into

---

(a) This is but a repetition of the refinement before observed upon, and a confusion of revenue with its source. *Vide supra*, Book II. chap. 2. *in notis*. Indeed, the whole subject has been involved in needless prolixity. In productive consumption, a product already in existence is held out as a recompense of the productive agency requisite for the completion of a further product ; in unproductive, it is simply consumed, with no act of fresh production, though always as the recompense, either of past exertion of some kind or other, or of an appropriated natural source: for gratuitous consumption is a mere substitution of the donee in the place of the donor. T.

crown-pieces, in the satisfaction of the wants of the farmer, or his landlord.

Since every thing consumed is so much lost, the gain of reproductive consumption is equal, whether proceeding from reduced consumption, or from enlarged production. In China, they make a great saving in the consumption of seed-corn, by following the drilling, in lieu of the broad cast, method. The effect of this saving is precisely the same, as if the land were, in China, proportionately more productive than in Europe. \*

In manufacture, when the raw material used is of no value whatever, it is not to be reckoned as forming any part of the requisite consumption of the concern; thus, the stone used by the lime-burner, and the sand employed by the glass-blower, are no part of their respective consumption, wherever they have cost them nothing. (*b*)

A saving of productive agency, whether of industry, of land, or of capital, is equally real and effectual, as a saving of raw material; and it is prac-

---

\* One of the suite of Lord Macartney estimated the saving of grain in China, by this method alone, to be equal to the supply of the whole population of Great Britain.

(*b*) They are items of consumption, but not of human estimation, because there has been no difficulty in their attainment; and our author has set out with a limitation of his inquiry to such objects only, as are objects of human estimation. All others are beyond the sphere of political science, as of human solicitude. T.



licable in two ways; either by making the same productive means yield more agency; or by obtaining the same result from a smaller quantity of productive means.

Such savings generally operate in a very short time to the benefit of the community at large: they reduce the charges of production; and, in proportion as the economical process becomes better understood, and more generally practised, the competition of producers brings the price of the product gradually to a level with the charges of production. But, for this very reason, all, who do not learn to economize like their neighbours, must necessarily lose, while others are gaining. Manufacturers have been ruined by hundreds, because they would go to work in a grand style with too costly and complex an apparatus, provided of course at an excessive expense of capital.

Fortunately, in the great majority of cases, self-interest is most sensibly and immediately affected by a loss of this kind; and, in the concerns of business, like pain in the human frame, gives timely warning of injuries, that require care and reparation. If the rash or ignorant adventurer in production were not the first to suffer the punishment of his own errors or misconduct, we should find it far more common than it is to dash into improvident speculation; which is quite as fatal to public prosperity, as profusion and extravagance. A merchant, that spends 50,000 *fr.* in the acquisition of 30,000 *fr.*, stands, in respect to his private concerns and to the general wealth of the com-

munity, upon exactly the same footing, as a man of fashion, who spends 20,000 *fr.* in horses, mistresses, gluttony, or ostentation; except, perhaps, that the latter has more pleasure and personal gratification for his money. \*

What has been said on this subject in Book I. of this work, makes it needless to enlarge here upon the head of productive consumption. I shall, therefore, henceforward direct my reader's attention to the subject of unproductive consumption, its motives, and consequences; premising, that, in what I am about to say, the word, *consumption*, used alone, will import unproductive consumption, as it does in common conversation.

\* There is almost insuperable difficulty in estimating with precision the consumption and production of value; and individuals have no other means of knowing, whether their fortune be increased or diminished, except by keeping regular accounts of their receipt and expenditure; indeed, all prudent persons are careful to do so, and it is a duty imposed by law in the case of traders. An adventurer could otherwise scarcely know whether his concern were gainful or losing, and might be involving himself and his creditors in ruin. Besides keeping regular accounts, a prudent manager will make previous estimates of the value that will be absorbed in the concern, and of its probable proceeds: the use of which, like that of a plan or design in building, is to give an approximation, though it can afford no certainty.

## CHAP. IV.

OF THE EFFECT OF UNPRODUCTIVE CONSUMPTION IN  
GENERAL.

HAVING just considered the nature and effect of consumption in general, as well as the general effect of productive consumption in particular, it remains only to consider, in this, and the following chapters, such consumption as is effected with no other end or object in view, than the mere satisfaction of a want, or the enjoyment of some pleasurable sensation.

Whoever has thoroughly comprehended the nature of consumption and production, as displayed in the preceding pages, will have arrived at the conviction, that no consumption, of the class denominated unproductive, has any ulterior effect, beyond the satisfaction of a want by the destruction of existing value. It is a mere exchange of a portion of existing wealth on the one side, for human gratification on the other, and nothing more. Beyond this, what can be expected?—reproduction? how can the same identical utility (*a*)

---

(*a*) *i. e.* Of a consumable object; and most human products are consumable. A natural product, or a thing existing in  
VOL. II. R nature,

be afforded a second time? Wine cannot be both drunk and distilled into brandy too. Neither can the object consumed serve to establish a fresh demand, and thus indirectly to stimulate future productive exertion; for it has already been explained, that the only effectual demand is created by the possession of wherewithal to purchase, — of something to give in exchange; and what can that be, except a product, which, before the act of exchange and consumption, must have been an item, either of revenue or of capital? The existence and intensity of the demand must invariably depend upon the amount of revenue and of capital; the bare existence of revenue and capital is all that is necessary for the stimulus of production, which nothing else can stimulate. The choice of one object of consumption necessarily precludes that of another; what is consumed in the shape of silks cannot be consumed in the shape of linens or woollens; nor can what has once been devoted to pleasure or amusement be made productive also of more positive or substantial utility.

Wherefore, the sole object of enquiry, with regard to unproductive consumption, is, the degree of gratification resulting from the act of consumption itself; and this enquiry will, in the re-

---

nature, may afford the same *species* of utility repeatedly; a human being, its corporeal or intellectual service; a navigable river, the means of transport; these are, therefore, sources of production. Yet the utility even of these can be afforded to one only at a time, and once exerted cannot be recalled. T.

mainder of this chapter, be pursued in respect of unproductive consumption in general; after which we shall give, in the following chapters, a separate consideration to that of individuals, and that of the public, or community at large. The sole point is, to weigh the loss, occasioned to the consumer by his consumption, against the satisfaction it affords him. The degree of correctness, with which this balance of loss and gain is struck, will determine whether the consumption be judicious or otherwise; which is a point that, next to the actual production of wealth, has the most powerful influence upon the well or ill-being of families and of nations.

In this point of view, the most judicious kinds of consumption seem to be:—

1. Such as conduce to the satisfaction of positive wants; by which term I mean those, upon the satisfaction of which depends the existence, the health, and the contentment of the generality of mankind; being the very reverse of such, as are generated by refined sensuality, pride, and caprice. Thus, the national consumption will, on the whole, be judicious, if it absorb articles rather of convenience than of display; the more linen and the less lace; the more plain and wholesome dishes, and the fewer dainties; the more warm clothing, and the less embroidery, the better. In a nation whose consumption is so directed, the public establishments will be remarkable rather for utility than splendor; its hospitals will be less magnificent than salutary and extensive; its roads well

furnished with inns, rather than unnecessarily wide and spacious, and its towns well paved, though with few palaces to attract the gaze of strangers.

The luxury of ostentation affords a much less substantial and solid gratification, than the luxury of comfort, if I may be allowed the expression. Besides, the latter is less costly, that is to say, involves the necessity of a smaller consumption; whereas, the former is insatiable; it spreads from one to another, from the mere proneness to imitation; and the extent to which it may reach, is absolutely unlimited. (*b*) "Pride," says Franklin, "is a beggar quite as clamorous as want, but infinitely more insatiable."

Taking society in the aggregate, it will be found that, one with another, the gratification of real wants, is more important to the community, than the gratification of artificial ones. The wants of the rich man occasion the production and con-

---

(*b*) It is strange, that so acute a writer should not have perceived, that the mischief of pure individual vanity can never be very formidable, because the pleasure it affords loses in intensity, in proportion to its diffusion. Indeed, as far as individual consumption is concerned, attacks upon luxury are mere idle declamation; for the productive energies of mankind will always be directed towards an object, with a force, and in a degree, proportionate to the intensity of the want for it. It is the extravagance of public luxury alone that can ever be formidable; this, as well as public consumption of every kind, it is always the interest of the community at large to contract, and that of public functionaries to expand, to the utmost. T.

sumption, of an exquisite perfume perhaps ; those of the poor man, the production and consumption of a good warm winter cloak : supposing the value to be equal, the diminution of the general wealth is the same in both cases ; but the resulting gratification will, in the one case, be trifling, transient, and scarcely perceptible ; in the other, solid, ample, and of long duration. \*

2. Such as are the most gradual, and absorb products of the best quality. A nation, or an individual, will do wisely, to direct consumption chiefly to those articles, that are the longest time in wearing out, and the most frequently in use. Good houses and furniture are, therefore, objects of judicious preference ; for there are few products that take longer time to consume than a house, or that are of more frequent utility ; in fact, the best part of one's life is passed in it. Frequent changes of fashion are unwise ; for fashion takes upon itself to throw things away long before they have lost their utility, and sometimes before they have lost even the freshness of novelty ; thus multiplying consumption exceedingly, and rejecting as good for nothing, what is perhaps still useful, convenient, or even elegant. So that a rapid succession of fashions impoverishes a state, as well by

\* The lending at interest what might have been spent in frivolity, is of this latter class ; for interest cannot be paid, unless the loan be productively employed ; in which case it will go in part to the maintenance of the labouring classes.

the consumption it occasions, as by that which it arrests.

There is an advantage in consuming articles of superior quality, although somewhat dearer, and for this reason: in every kind of manufacture, there are some charges that are always the same, whether the product be of good, or bad quality. Coarse linen will have cost, in weaving, packing, storing, retailing, and carriage, before it comes to the ultimate consumer, quite as much trouble and labour, as linen of the finest quality; therefore, in purchasing an inferior quality, the only saving is in the cost of the raw material; the labour and trouble must always be paid in full, and at the same rate; yet the product of that labour and trouble are much quicker consumed, when the linen is of inferior, than when it is of superior quality.

This reasoning is applicable indifferently to every class of product; for in every one there are some kinds of productive agency, that are paid equally without reference to quality; and that agency is more profitably bestowed in the raising of products of good, than of bad quality; therefore, it is generally more advantageous for a nation to consume the former. But this cannot be done, unless the nation can discern between good and bad, and have acquired a taste for the former; wherein again appears the necessity of knowledge\* to the

\* By knowledge I would always be understood to mean, acquaintance with the true state of things, or generally with truth in every branch.



furtherance of national prosperity; and unless, besides, the bulk of the population be so far removed above penury, as not to be obliged to buy whatever is the cheapest in the first instance, although it be in the long run the dearest to the consumer.

It is evident, that the interference of public authority in regulating the details of the manufacture, supposing it to succeed in making the manufacturer produce goods of the best quality, which is very problematical, must be quite ineffectual in promoting their consumption; for it can give the consumer, neither the taste for what is of the better quality, nor the ability to purchase. The difficulty lies, not in finding a producer, but in finding a consumer. It will be no hard matter to supply good and elegant commodities, if there be consumers both willing and able to purchase them. But such a demand can exist only in nations enjoying comparative affluence; it is affluence, that both furnishes the means of buying articles of good quality, and gives a taste for them. Now the interference of authority is not the road to affluence, which results from activity of production, seconded by the spirit of frugality; — from habits of industry pervading every channel of occupation, and of frugality tending to accumulation of capital. In a country, where these qualities are prevalent, and in no other, can individuals be at all nice or fastidious in what they consume. On the contrary, profusion and embarrassment are inseparable

companions ; there is no choice when necessity drives.

The pleasures of the table, of play, of pyrotechnic exhibitions, and the like, are to be reckoned amongst those of shortest duration. I have seen villages, that, although in want of good water, yet do not hesitate to spend in a wake or festival, that lasts but one day, as much money as would suffice to construct a conduit for the supply of that necessary of life, and a fountain or public cistern on the village green ; the inhabitants preferring to get once drunk in honor of the squire or saint, and to go day after day with the greatest inconvenience, and bring muddy water from half a league distance. The filth and discomfort prevalent in rustic habitations are attributable, partly to poverty, and partly to injudicious consumption.

In most countries, if a part of what is squandered in frivolous and hazardous amusements, whether in town or country, were spent in the embellishment and convenience of the habitations, in suitable clothing, in neat and useful furniture, or in the instruction of the population, the whole community would soon assume an appearance of improvement, civilization, and affluence, infinitely more attractive to strangers, as well as more gratifying to the people themselves.

3. The collective consumption of numbers. There are some kinds of agency, that need not be multiplied in proportion to the increased consumption. One cook can dress dinner for ten as easily as for one ; the same grate will roast a dozen joints

as well as one ; and this is the reason, why there is so much economy in the mess-table of a college, a monastery, a regiment, or a large manufactory, in the supply of great numbers from a common kettle or kitchen, and in the dispensaries of cheap soups.

4. And lastly, on grounds entirely different, those kinds of consumption are judicious, which are consistent with moral rectitude ; and, on the contrary, those, which infringe its laws, generally end in public, as well as private calamity. But it would be too wide a digression from my subject to attempt the illustration of this position.

It is observable, that great inequality of private fortune is hostile to those kinds of consumption, that must be regarded as most judicious. In proportion as that inequality is more marked, the artificial wants of the population are more numerous, the real ones more scantily supplied, and rapid consumption more common and destructive. The patrician spendthrifts and imperial gluttons of ancient Rome thought they never could squander enough. Besides, immoral kinds of consumption are infinitely more general, where the extremes of wealth and poverty are found blended together. In such a state of society, there are a few, who can indulge in the refinement of luxury, but a vast number, who look on their enjoyments with envy, and are ever impatient to imitate them. To get into the privileged class is the grand object, be the means ever so questionable ; and those, who are

little scrupulous in the acquirement, are seldom more so in the employment of wealth. (c)

The government has, in all countries, a vast influence, in determining the character of the national consumption; not only because it absolutely directs the consumption of the state itself, but because a great proportion of the consumption of individuals is guided by its will and example. If the government indulge a taste for splendor and ostentation, splendor and ostentation will be the order of the day, with the whole host of imitators; and even those of better judgment and discretion must, in some measure, yield to the torrent. For, how seldom are they independent of that consideration and good opinion, which, under such circumstances, are to be earned, not by personal

---

(c) In a wholesome state of society, when public institutions are not needlessly multiplied, and all tend to the common purpose of public good, this very impatience and anxiety is conducive to the welfare, and not to the injury, of society. Indeed, great inequality of fortune seems to be a necessary accompaniment to social wealth and great national productive power. It is the prospect of great prizes only, that can stimulate to the extreme of intellectual and corporeal industry; and there is no instance on record of a nation far advanced in industry, in which great inequality of fortune has not existed. One bishopric of Durham will tempt more clerical adventurers, than five hundred moderate benefices; and the example of a single Arkwright or Peele will stimulate manufacturing science and activity, more than a whole Manchester of moderate cotton-spinning concerns. T.

qualities, but by a course of extravagance they cannot approve?

First and foremost in the list of injudicious kinds of consumption stand those, which yield disgust and displeasure, in lieu of the gratification anticipated. Under this class may be ranged, excess and intemperance in private individuals; and, in the state, wars undertaken with the motive of pure vengeance, like that of Louis XIV., in revenge for the attacks of a Dutch newspaper; or with that of empty glory, which leads commonly to disgrace and odium. Yet such wars are even less to be deplored for the waste of national wealth and resources, than for the irremediable loss of personal virtue and talent sacrificed in the struggle; a loss which involves families in distress enough, when exacted by the public good, and by the pressure of inexorable necessity; but must be doubly shocking and afflicting, when it originates in the caprice, the wickedness, the folly, or the ungovernable passions of national rulers.

## CHAP. V.

## OF INDIVIDUAL CONSUMPTION—ITS MOTIVES, AND ITS EFFECTS.

THE consumption of individuals, as contrasted with that of the public or community at large, is such as is made with the object of satisfying the wants of families and individuals. These wants chiefly consist in those of food, raiment, lodging, and amusement. They are supplied with the necessary articles of consumption in each department, out of the respective revenue of each family or individual, whether derived from personal industry, from capital, or from land. The wealth of a family advances, declines, or remains stationary, according as its consumption equals, returns, or falls short of its revenue. The aggregate of the consumption of all the individuals, added to that of the government for public purposes, forms the grand total of national consumption.

A family, or indeed a community, or nation, may certainly consume the whole of its revenue, without being thereby impoverished; but it by no means follows, that it either must, or would act wisely, in so doing. Common prudence would

counsel to provide against casualties. Who can say with certainty, that his income will not fall off, or that his fortune is exempt from the injustice, the fraud, or the violence of mankind? Lands may be confiscated; ships be wrecked; litigation may involve him in its expenses and uncertainties. The richest merchant is liable to be ruined by one unlucky speculation, or by the failure of others. Were he to spend his whole income, his capital might, and in all probability would, be continually on the decline.

But, supposing it to remain stationary, should one be content with keeping it so? A fortune, however large, will seem little enough, when it comes to be divided amongst a number of children. And, even if there be no occasion to divide it, what harm is there in enlarging it, so it be done by honorable means? What else is it, but the desire of each individual to better his situation, that suggests the frugality that accumulates capital, and thereby assists the progress of industry, and leads to national opulence and civilization? Had not previous generations been actuated by this stimulus, the present one would now be in the savage state; and it is impossible to say, how much farther it may yet be possible to carry civilization. It has never been proved to my satisfaction, that nine-tenths of the population must inevitably remain in that degree of misery and semi-barbarism, which they are found in at present in most countries of Europe.

The observance of the rules of private economy

keeps the consumption of a family within reasonable bounds; that is to say, the bounds prescribed in each instance by a judicious comparison of the value sacrificed in consumption, with the satisfaction it affords. None, but the individual himself, can fairly and correctly estimate the loss and the gain, resulting to himself or family from each particular act of consumption; for the balance will depend upon the fortune, the rank, and the wants of himself and family; and, in some degree, perhaps, upon personal taste and feelings. To restrain consumption within too narrow limits, would involve the privation of gratification, that fortune has placed within reach; and, on the other hand, a too profuse consumption might trench upon resources, that it might be but common prudence to husband.\*

Individual consumption has constant reference

\* On this ground, sumptuary laws are superfluous and unjust. The indulgence proscribed is either within the means of the individual or not: in the former case, it is an act of oppression to prohibit a gratification involving no injury to others, equally unjustifiable as prohibition in any other particular; in the latter, it is at all events nugatory to do so; for there is no occasion for legal interference, where pecuniary circumstances alone are an effectual bar. Every irregularity of this kind works its own punishment. It has been said, that it is the duty of the government to check those habits, which have a tendency to lead people into expenses exceeding their means; but it will be found, that such habits can only be introduced by the example and encouragement of the public authorities themselves. In all other circumstances, neither custom nor fashion will ever lead the different classes of society into any expenses, but what are suitable to their respective means.



to the character and passions of the consumer. It is influenced alternately by the noblest and the vilest propensities of our nature ; at one time it is stimulated by sensuality ; at another by vanity, by generosity, by revenge, or even by covetousness. It is checked by prudence or foresight, by groundless apprehension, by distrust, or by selfishness. As these various qualities happen in turn to predominate, they direct mankind in the use they make of their wealth. In this, as in every other action of life, the line of true wisdom is the most difficult to observe. Human infirmity is perpetually deviating to the one side or the other, and seldom steers altogether clear of excess. \*

In respect to consumption, prodigality and avarice are the two faults to be avoided : both of them neutralize the benefits, that wealth is calculated to confer on its possessor ; prodigality by exhausting, avarice by not using, the means of enjoyment. Prodigality is, indeed, the more amiable of the two, because it is allied to many amiable and social qualities. It is regarded with more indulgence, because it imparts its pleasures to others ; yet is it of the two the more mischievous to society ; for it squanders and makes away with the capital, that should be the support of industry ; it destroys industry, the grand agent of production, by the destruction of the other agent, capital.

\* The weaker sex is, from the very circumstance of inferiority in strength of mind, exposed to greater excess both of avarice and of prodigality.

If, by expense and consumption, are meant those kinds only, which minister to our pleasures and luxuries, it is a great mistake to say, that money is good for nothing but to be spent, and that products are only raised to be consumed. Money may be employed in the work of reproduction; when so employed it must be productive of great benefit; and, every time that a fixed capital is squandered; a corresponding quantity of industry must be extinguished, in some quarter or other. The spendthrift, in running through his fortune, is at the same time exhausting, *pro tanto*, the source of the profits upon industry.

The miser, who, in the dread of losing his money, hesitates to turn it to account, does, indeed, nothing to promote the progress of industry; but at least he cannot be said to reduce the means of production. His hoard is scraped together by the abridgement of his personal gratifications, not at the expense of the public, according to the vulgar notion; it has been withdrawn from no productive occupation, and will at any rate re-appear at his death, and be available for the purpose of extending the operations of industry, if it be not squandered by his heirs, or so effectually concealed, as to evade all search or recovery.

It is absurd in spendthrifts to boast of their prodigality, which is quite as unworthy the nobleness of our nature, as the sordid meanness of the opposite character. There is no merit in consuming all one can lay hands upon, and desisting

only when one can get no more to consume ; every animal can do as much ; nay, there are some animals that set a better example of provident management. It is more becoming the character of a being gifted with reason and foresight, never to consume, in any instance, without some reasonable object in view. At least, this is the course that economy would prescribe.

In short, economy is nothing more, than the direction of human consumption with judgment and discretion, — the knowledge of our means, and of the best mode of employing them. There is no fixed rule of economy ; it must be guided by a reference to the fortune, condition, and wants of the consumer. An expense, that may be authorised by the strictest economy in a person of moderate fortune, would, perhaps, be pitiful in a rich man, and absolute extravagance in a poor one. In a state of sickness, a man must allow himself indulgences, that he would not think of in health. An act of beneficence, that trenches on the personal enjoyments of the benefactor, is deserving of the highest praise ; but it would be highly blameable, if done at the expense of his children's subsistence.

Economy is equally distant from avarice and profusion. Avarice hoards, not for the purpose of consuming or reproducing, but for the mere sake of hoarding ; it is a kind of instinct, or mechanical impulse, much to the discredit of those in whom it is detected ; whereas, true economy is the offspring of prudence and sound reason, and does not sa-

crifice necessities to superfluities, like the miser, when he denies himself present comforts, in the view of luxury, ever prospective and never to be enjoyed. The most sumptuous entertainment may be conducted with economy, without diminishing, but rather adding to its splendor, which the slightest appearance of avarice would tarnish and deface. The economical man balances his means against his present or future wants, and those of his family and friends, not forgetting the calls of humanity. The miser regards neither family nor friends; scarcely attends to his own personal wants, and is an utter stranger to those of mankind at large. Economy never consumes without an object; avarice never willingly consumes at all: the one is a sober and rational study, the only one, that supplies the means of fulfilling our duties, and being at the same time just and generous; the other a vile propensity to sacrifice every thing to the sordid consideration of self.

Economy has not unreasonably been ranked among the virtues of mankind; for, like the other virtues, it implies self-command and control, and is productive of the happiest consequences; the good education of children, physical and moral; the careful tendance of old age; the calmness of mind, so necessary to the good conduct of middle life; and that independence of circumstances, which alone can secure against mercenary motives, are all referable to this quality. Without it, there can be no liberality, none at least of a permanent and wholesome kind; for, when it degenerates

into prodigality, it is an indiscriminate largess, alike to deserving and undeserving; stinting those who have claims in favor of those who have none. It is common to see the spendthrift reduced to beg a favor from people that he has loaded with his bounty; for what he gives now, one expects a return will some day be called for; whereas, the gifts of the economical man are purely gratuitous; for he never gives except from his superfluities. The latter is rich with a moderate fortune; but the miser and the prodigal are poor, though in possession of the largest resources.

Economy is inconsistent with disorder, which stumbles blindfold over wealth, sometimes missing what it most desires, although close within its reach, and sometimes seizing and devouring what it is most interested in preserving; ever impelled by the occurrences of the moment, which it either cannot foresee, or cannot emancipate itself from; and always unconscious of its own position, and utterly incapable of choosing the proper course for the future. A household, conducted without order, is preyed upon by all the world: neither the fidelity of the servants, nor even the parsimony of the master, can save it from ultimate ruin. For it is exposed to the perpetual recurrence of a variety of little outgoings, on every occasion, however trivial.\*

\* I remember being once in the country a witness of the numberless minute losses, that neglectful housekeeping entails. For want of a trumpery latch, the gate of the poultry-yard was for ever open; there being no means of closing it externally, it

Among the motives that operate to determine the consumption of individuals, the most prominent is luxury, that frequent theme of declamation, which, however, I should probably not have dwelt upon, could I expect that every body will take the trouble of applying the principles I have been labouring to establish; and were it not always useful to substitute reason for declamation.

Luxury has been defined to be, the use of superfluities.\* For my own part, I am at a loss to

was on the swing every time a person went out; and many of the poultry were lost in consequence. One day, a fine young porker made his escape into the woods, and the whole family, gardener, cook, milk-maid, &c. presently turned out in quest of the fugitive. The gardener was the first to discover the object of pursuit, and, in leaping a ditch to cut off his further escape, got a sprain that confined him to his bed for the next fortnight; the cook found the linen burnt, that she had left hung up before the fire to dry; and the milk-maid, having forgotten in her haste to tie up the cattle properly in the cow-house, one of the loose cows had broken the leg of a colt that happened to be kept in the same shed. The linen burnt, and the gardener's work lost, were worth full 20 crowns; and the colt about as much more: so that here was a loss in a few minutes of 40 crowns, purely for want of a latch, that might have cost a few *sous* at the utmost; and this in a household where the strictest economy was necessary, to say nothing of the suffering of the poor man, or the anxiety and other troublesome incidents. The misfortune was to be sure not very serious, nor the loss very heavy; yet, when it is considered, that similar neglect was the occasion of repeated disasters of the same kind, and ultimately of the ruin of a worthy family, it was deserving of some little attention.

\* Stewart, *Essay on Pol. Econ.* book ii. c. 20. The same writer has in another passage observed, that every thing not absolutely necessary to bare existence is a superfluity.

draw the line between superfluities and necessities; the shades of difference are as indistinct and completely blended as the colors of the rainbow. Taste, education, temperament, bodily health, make the degrees of utility and necessity infinitely variable, and render it impossible to employ, in an absolute sense, terms, which always of necessity convey an idea of relation and comparison.

The line of demarcation between necessities and superfluities shifts with the fluctuating condition of society. Strictly speaking, mankind might exist upon roots and herbs; with a sheep-skin for clothing, and a wigwam for lodging; yet, in the present state of European society, we cannot look upon bread or butcher's-meat, woollen-clothes or houses of masonry, as luxuries. For the same reason, the line varies also according to the varying circumstances of individual fortune; what is a necessary in a large town, or in a particular line of life, may, in another line of life, or in the country, be a mere superfluity. Wherefore, it is impossible exactly to define the boundary between the one and the other. Smith has fixed it a little in advance of Stewart; including in the rank of necessities, besides natural wants, such as the established rules of decency and propriety have made necessary in the lower classes of society. But Smith was wrong in attempting to fix at all what must, in the nature of things, be ever varying.

Luxury may be said, in a general way, to be, the use or consumption of dear articles; for the

term dear is one of relation, and, therefore, may be properly enough applied in the definition of another term, whose sense is likewise relative. Luxury\* with us in France conveys the idea rather of ostentation than of sensuality; applied to dress, it denotes rather the superior beauty and impression upon the beholder, than superior convenience and comfort to the wearer; applied to the table, it means rather the splendor of a sumptuous banquet, than the exquisite fare of the solitary epicure. The grand aim of luxury in this sense is to attract admiration by the rarity, the costliness, and the magnificence of the objects displayed, recommended probably neither by utility, nor convenience, nor pleasurable qualities, but merely by their dazzling exterior and effect upon the opinions of mankind at large. Luxury conveys the idea of ostentation; but ostentation has itself a far more extensive meaning, and comprehends every quality assumed for the purpose of display. A man may be ostentatiously virtuous, but is never luxuriously so; for luxury implies expense. Thus, luxury of wit or genius is a metaphorical expression, implying a profuse display or expenditure, if it may be so called, of those qualities of the intellect, which it is the characteristic of good taste to deal out with a sparing hand.

Although, with us in France, what we term

\* The English term luxury has a much more sensual meaning than the French *luxe*, and seems to comprise both *luxe* and *luxure*, the *luxus*, or *luxuria*, and *luxuries* of the Latin writers.



luxury is chiefly directed to ostentatious indulgence, the excess and refinement of sensuality are equally unjustifiable, and of precisely similar effect; that is to say, of a frivolous and inconsiderable enjoyment or satisfaction, obtained by a large consumption, calculated to satisfy more urgent and extensive wants. But I should not stigmatize as luxury that degree of variety or abundance, which a prudent and well-informed person in a civilized community would like to see upon his table upon domestic and common occasions, or aim at in his dress and abode, when under no compulsion to keep up an appearance. I should call this degree of indulgence judicious and suitable to his condition, but not an instance of luxury.

Having thus defined the term luxury, we may go on to investigate its effect upon the well-ordering or economy of nations.

Under the head of unproductive consumption is comprised, the satisfaction of many actual and urgent wants, which is a purpose of sufficient consequence to outweigh the mischief, that must ensue from the destruction of values. But what is there to compensate that mischief, where such consumption has not for its object the satisfaction of such wants? where money is spent for the mere sake of spending, and value destroyed without any object beyond its destruction?

It is supposed to be beneficial, at all events, to the producers of the articles consumed. But it is to be considered, that the same expenditure must

take place, though not, perhaps, upon objects quite so frivolous; for the money withheld from luxurious indulgences is not absolutely thrown into the sea; it is sure to be spent either upon more judicious gratifications or upon reproduction. In one way or other, all the revenue, not absolutely sunk or buried, is consumed by the receiver of it, or by some one in his stead: and in all cases whatever, the encouragement held out by consumption to the producer is co-extensive with the total amount of revenue to be expended. Whence it follows:

1. That the encouragement which ostentatious extravagance affords to one class of production is necessarily withdrawn from another.

2. That the encouragement resulting from this kind of consumption cannot increase, except in the event of an increase in the revenue of the consumers; which revenue, as we cannot but know by this time, is not to be increased by luxurious, but solely by reproductive, consumption.

How great, then, must be the mistake of those, who, on observing the obvious fact, that the production always equals the consumption, as it must necessarily do, since a thing cannot be consumed before it is produced, have confounded the cause with the effect, and laid it down as a maxim, that consumption originates production; therefore, that frugality is directly adverse to public prosperity, and that the most useful citizen is the one who spends the most.

The partisans of the two opposite systems above

adverted to, the economists and the advocates of exclusive commerce, or the balance of trade, have made this maxim a fundamental article of their creed. The merchants and manufacturers, who seldom look beyond the actual sale of their products, or enquire into the causes, which may operate to extend their sale, have warmly supported a position, apparently so consistent with their interests; the poets, who are ever apt to be seduced by appearances, and do not consider themselves bound to be wiser than politicians and men of business, have been loud in the praise of luxury\*; and the rich have not been backward in adopting principles, that extol their ostentation

\* Though it is not every subject that allows equal scope to poetical genius, it does not seem, that error affords a finer field than truth. The lines of *Voltaire* on the system of the world, and on the discoveries of Newton regarding the properties of light, are strictly conformable to the rules of science, and nowise inferior in beauty to those of Lucretius on the fanciful dogmas of the Epicurean school. But if *Voltaire* had been better acquainted with the principles of political economy, he would never have given utterance to such sentiments as the following:

*Sachez surtout que le luxe enrichit  
Un grand état, s'il en perd un petit.  
Cette splendeur, cette pompe mondaine,  
D'un règne heureux est la marque certain.  
Le riche est né pour beaucoup dépenser . . . .*

The progress of science compels those, who covet literary fame, to make themselves acquainted with general principles at the least; without a close adherence to truth and nature, there is little chance of permanent reputation, even in the poetical department.

into a virtue, and their self-gratification into beneficence.\*

This prejudice, however, must vanish, as the increasing knowledge of political economy begins to reveal the real sources of wealth, the means of production, and the effect of consumption. Vanity may take pride in idle expense, but will ever be held in no less contempt by the wise, on account of its pernicious effects, than it has been all along, for the motives by which it is actuated.

These conclusions of theory have been confirmed by experience. Misery is the inseparable companion of luxury. The man of wealth and ostentation squanders upon costly trinkets, sumptuous repasts, magnificent mansions, dogs, horses, and mistresses, a portion of value, which, vested in productive occupation, would enable a multitude of willing labourers, whom his extravagance now consigns to idleness and misery, to provide themselves with warm clothing, nourishing food, and household conveniencies. The gold buckles of the rich man leave the poor one without shoes to his feet; and the labourer will want a shirt to his back, while his rich neighbour glitters in velvet and embroidery.

\* *La Republique a bien affaire  
De gens, qui ne dependent rien;  
Je ne sais d'homme necessaire,  
Que celui dont le luxe epand beaucoup de bien.*

*La Fontaine, Avantage de la Science.*

'Were the rich not to spend their money freely,' says *Montesquieu*, 'the poor would starve.' *Esprit des Lois*, liv. vii. c. 4.

It is vain to resist the nature of things. Magnificence may do what it will to keep poverty out of sight, yet it will cross it at every turn, still haunting, as if to reproach it for its excesses. This contrast was to be met with at Versailles, at Rome, at Madrid, and in every seat of royal residence. In a recent instance, it occurred in France in an afflicting degree, after a long series of extravagant and ostentatious administration; yet the principle is so undeniable, that one would not suppose it had required so terrible an illustration.\*

\* There are other circumstances, that contribute to veil the residence of the court in an atmosphere of human misery. It is there, that personal service is consumed by wholesale; and that is of all things the most rapidly consumed, being, indeed, consumed as fast as produced. Under this denomination, is to be comprised the agency of the soldiery, of menial servants, of public functionaries, whether useful or not, of clerks, lawyers, judges, civilians, ecclesiastics, actors, musicians, drolls, and numerous other hangers-on, who all crowd towards the focus of power and occupation, civil, judicial, military, or religious. It is there also, that material products seem to be more wantonly consumed. The choicest viands, the most beautiful and costly stuffs, the rarest works of art and fashion, all seem emulous to reach this general sink, whence little or nothing ever emerges.

Yet, if the accumulated values, that are drained from every quarter of the national territory to feed the consumption of the seat of royalty, were distributed with any regard to equity, they would probably suffice to maintain all classes in comfort and plenty. Though such drains must always be calamitous, because they absorb value, and yield no return, at any rate the local population might be pretty well off; but it is notorious, that wealth is no where less equally diffused. The prince, the  
favorite,

Those, who are little in the habit of looking through the appearance to the reality of things, are apt to be seduced by the glitter and the bustle of ostentatious luxury. They take the display of consumption as conclusive evidence of national prosperity. If they could open their eyes, they would see, that a nation verging towards decline will for some time continue to preserve a show of opulence; like the establishment of a spendthrift on the high road to ruin. But this false glare cannot last long: the effort dries up the sources of reproduction, and, therefore, must infallibly be followed by a state of apathy and exhaustion of the political frame; which is only to be remedied by slow degrees, and by the adoption of a regimen the very reverse to that, by which it has thus been reduced.

It is distressing to see the fatal habits and customs of the nation one is attached to by birth, fortune, and social affection, extending their influence over the wisest individuals, and those best able to appreciate this danger and foresee its disastrous consequences. The number of persons;

favorite; a mistress, or a bloated peculator; takes the lion's share, leaving to the subordinate drones the pittance assigned to them by the generosity or caprice of their superiors.

The residence of an overgrown proprietor upon his estate then only tends to diffuse abundance and cheerfulness around him, when his expenditure is directed to objects of utility, rather than of pomp; in which case, he is really an adventurer in agriculture, and an accumulator of capital in the shape of improvements and ameliorations.

who have sufficient spirit and independence of fortune to act up to their principles, and set themselves forward as an example, is extremely small. Most men yield to the torrent, and rush on ruin with their eyes open, in search of happiness; although it requires a very small share of philosophy to see the madness of this course, and to perceive, that, when once the common wants of nature are satisfied, happiness is to be found, not in the frivolous enjoyments of luxurious vanity, but in the moderate exercise of our physical and moral faculties.

Wherefore, those, who abuse great power, or talent, by exerting it in diffusing a taste for luxury, are the worst enemies of social happiness. If there is one habit, that deserves more encouragement than another, in monarchies as well as republics, in great states as well as small, it is this of economy. Yet, after all, no encouragement is wanted; it is quite enough to withdraw favor and honor from habits of profusion; to afford inviolable security to all savings and acquirements; to give perfect freedom to their investment and occupation in every branch of industry, that is not absolutely criminal.

It is alleged, that, to excite mankind to spend, or consume, is to excite them to produce, inasmuch as they can only spend what they may acquire. This fallacy is grounded on the assumption, that production is equally within the ability of mankind as consumption; that it is as easy to augment as to expend one's revenue. But, sup-

posing it were so, nay further, that the desire to spend, begets a liking for labour, although experience by no means warrants such a conclusion, yet there can be no enlargement of production, without an augmentation of capital, which is one of the necessary elements of production; but it is clear, that capital can only be accumulated by frugality; and how can that be expected from those, whose only stimulus to production is the desire of enjoyment? (a)

Moreover, when the desire of acquirement is

---

(a) What other, or better stimulus would our author suggest? the desire of production? but wherefore produce, except with a view to ultimate consumption? There are, strictly speaking, two motives that impel mankind to exertion: 1. the hope of enjoyment; 2. the fear of suffering. With the free agent, the former, with the slave, the latter, is the prevailing motive; though it is very difficult to draw the line of distinction with tolerable precision. Were human exertion never compulsory, as in the case of negro-cultivation, these two motives might perhaps be resolved into one only; for the absence of suffering is itself a species of enjoyment. Thus, to restrain individual consumption, where the rights of others are not infringed upon, is to weaken, *pro tanto*, the stimulus of industry; and that whether the gratification in view be of a sensual, or an ostentatious character. But, doubtless, it is worthy of the philosopher to labour to convince mankind, that the noblest and the most intense pleasure is that of beneficence: although this falls more properly within the department of morals than of political economy. The whole of this attack upon luxury is superfluous, as regarding individual consumption, for reasons adverted to *suprà*, Book III. chap. 4. note (b). The abuses of public consumption alone are deserving of attention. T.



stimulated by the love of display, how can the slow and limited progress of real production keep pace with the ardor of that motive? Will it not find a shorter road to its object, in the rapid and disreputable profits of jobbing and intrigue, classes of industry most fatal to national welfare, because they produce nothing themselves, but only aim at appropriating a share of the products of other people? It is this motive, that sets in motion the despicable art and cunning of the knave, leads the pettifogger to speculate on the obscurity of the laws, and the man of authority to sell to folly and wickedness that patronage, which it is his duty to dispense gratuitously to merit and to right. Pliny mentions having seen Paulina at a supper, dressed in a net-work of pearls and emeralds, that cost 40 millions of *sestertii*, as she was ready to prove by her jeweller's bills. It was bought with the fruit of her ancestor's speculations. "Thus," says the Roman writer, "it was to dress out his granddaughter in jewels at an entertainment, that Lollius forgot himself so far, as to lay waste whole provinces, to become the object of detestation to the Asiatics he governed, to forfeit the favor of the Cæsar, and end his life by poison."

This is the kind of industry generated by a love of display.

If it be pretended, that a system, which encourages profusion, operates only upon the wealthy, and thus tends to a beneficial end, inasmuch as it reduces the evil of the inequality of fortune; there can be little difficulty in showing, that pro-

fusion in the higher, begets a similar spirit in the middling and lower, classes of society, which last must, of course, the soonest arrive at the limits of their income ; so that, in fact, universal profusion has the effect of increasing, instead of reducing that inequality. Besides, the profusion of the wealthier class is always preceded, or followed, by that of the government, which must be fed and supplied by taxation, that is always sure to fall more heavily upon small incomes than on large ones. \*

The apologists of luxury have sometimes gone so far as to cry up the advantages of misery and indigence; on the ground, that, without the stimulus of want, the lower classes of mankind could never be impelled to labour; so that neither the upper classes, nor society at large, could have the benefit of their exertions.

Happily, this position is as false in principle as it would be cruel in practice. Were nakedness a

\* In favor of luxury, the following paradoxical argument has been advanced; for what is too ridiculous to be hazarded in such a cause? "that, since luxury consumes superfluities only, the objects it destroys, are of little real utility, and therefore the loss to society can be but small." There is this ready answer: the value of the objects consumed by luxury must have been reduced by the competition of producers to a level with the charges of production, wherein are comprised the profits of the producers: Objects of luxury are equally the product of land, capital, and industry, which might have been employed in raising objects of real utility, had the demand taken that direction; for production invariably accommodates itself to the taste of the consumers.

sufficient motive of exertion, the savage would be the most diligent and laborious, for he is the nearest to nakedness, of his species. Yet his indolence is equally notorious and incurable. Savages will often fret themselves to death, if compelled to work. It is observable throughout Europe, that the laziest nations are those nearest approaching to the savage state; a mechanic in good circumstances, at London or Paris, would execute twice as much work in a given time, as the rude mechanic of a poor district. Wants multiply as fast as they are satisfied; a man who has a jacket is for having a coat; and, when he has his coat, he must have a great coat too. The artisan, that is lodged in an apartment by himself, extends his views to a second; if he has two shirts, he soon wants a dozen, for the comfort of more frequent change of linen; whereas, if he has none at all, he never feels the want of it. No man feels any disinclination to make a further acquisition, in consequence of having made one already.

The comforts of the lower classes are, therefore, by no means incompatible with the existence of society, as too many have maintained. The shoemaker will make quite as good shoes in a warm room, with a good coat to his back, and wholesome food for himself and his family, as when perishing with cold in an open stall; he is not less skilful or inclined to work, because he has the reasonable conveniences of life. Linen is washed as well in England, where washing is carried on comfortably within doors, as where

it is executed in the nearest stream in the neighbourhood.

It is time for the rich to abandon the puerile apprehension of losing the objects of their sensuality, if the poor man's comforts be promoted. On the contrary, reason and experience concur in teaching, that the greatest variety, abundance, and refinement of enjoyment are to be found in those countries, where wealth abounds most, and is the most wisely diffused.

## CHAP. VI.

## OF PUBLIC CONSUMPTION

## SECT. I.

*Of the Nature and general Effect of Public Consumption.*

BESIDES the wants of individuals and of families, which it is the object of private consumption to satisfy, the collection of many individuals into a community gives rise to a new class of wants, the wants of the society in its aggregate capacity, the satisfaction of which is the object of public consumption. The public buys and consumes the personal service of the minister, that directs its affairs, the soldier, that protects it from external violence, the civil or criminal judge, that protects the rights and interests of each member against the aggression of the rest. All these different vocations have their use, although they may often be unnecessarily multiplied or overpaid; but that arises from a defective political organization, which it does not fall within the scope of this work to investigate.

We shall see presently whence it is, that the public derives all the values, wherewith it purchases the service of its agents, as well as the

articles its wants require. All we have to consider in this chapter is, the mode in which its consumption is operated, and the consequences resulting from it.

If I have made myself understood in the commencement of this third book, my readers will have no difficulty in comprehending, that public consumption, or that which takes place for the general utility of the whole community, is precisely analogous to that consumption, which goes to satisfy the wants of individuals or families. In either case, there is a destruction of values, and a loss of wealth; although, perhaps, not a shilling of specie goes out of the country.

By way of ensuring conviction of the truth of this position, let us trace from first to last the passage of a product towards ultimate consumption on the public account.

The government exacts from a tax-payer the payment of a given tax in the shape of money. To meet this demand, the tax-payer exchanges part of the products at his disposal for coin, which he pays to the tax-gatherer\*: a second set of

\* Although the capitalist and landholder receive their interest and rent originally in the shape of money, and have, therefore, no occasion to go through any previous act of exchange, to obtain wherewithal to pay the tax, yet such a previous exchange must have been effected by the adventurer, who turns the land or capital to account. The effect is precisely the same, as if the rent or interest had been paid in kind; *i. e.* in the immediate products of the land or capital; and the landholder or capitalist had paid the tax, either by the direct transfer of part of those products, or by first selling them, and afterwards paying

government agents is busied in buying with that coin cloth and other necessaries for the soldiery. Up to this point, there is no value lost or consumed: there has only been a gratuitous transfer of value, and a subsequent act of barter: but the value contributed by the subject still exists in the shape of stores and supplies in the military depôt. In the end, however, this value is consumed; and then the portion of wealth, which passes from the hands of the tax-payer into those of the tax-gatherer, is destroyed and annihilated.

Yet it is not the sum of money that is destroyed: that has only passed from one hand to another, either without any return, as when it passed from the tax-payer to the tax-gatherer; or in exchange for an equivalent, as when it passed from the government agent to the contractor for clothing and supplies. The value of the money survives the whole operation, and goes through three, four, or a dozen hands, without any sensible alteration; it is the value of the clothing and necessaries that disappears, with precisely the same effect, as if the tax-payer had, with the same money, purchased clothing and necessaries for his own private consumption. The sole difference is, that the individual in the one case, and the state in the other, enjoys the satisfaction resulting from that consumption.

The same reasoning may be easily applied to

paying over the proceeds. On this subject, *vide supra*, Book II. chap. 5. for the mode, in which revenue is distributed amongst the community.

all other kinds of public consumption. When the money of the tax-payer goes to pay the salary of a public officer, that officer sells his time, his talents, and his exertions, to the public, all which are consumed for public purposes. On the other hand, that officer consumes, instead of the tax-payer, the value he receives in lieu of his services; in the same manner as any clerk or person in the private employ of the tax-payer would do.

There has been long a prevalent notion, that the values, paid by the community for the public service, return to it again in some shape or other; in the vulgar phrase, that what government and its agents receive is refunded again by their expenditure. This is a gross fallacy; but one, that has been productive of infinite mischief, inasmuch as it has been the pretext for a great deal of shameless waste and dilapidation. The value paid to government by the tax-payer is given without equivalent or return: it is expended by the government in the purchase of personal service, of objects of consumption; in one word, of products of equivalent value, which are actually transferred. Purchase or exchange is a very different thing from restitution.\*

\* Dr. Hamilton, in his valuable tract upon *The National Debt of Great Britain*, illustrates the absurdity of the position here attacked, by comparing it to the "forcible entry of a robber into a merchant's house, who should take away his money, and tell him he did him no injury, for the money, or part of it, would be employed in purchasing the commodities he dealt in, upon which he would receive a profit." The encouragement afforded by the public expenditure is precisely analogous.



Turn it which way you will, this operation, though often very complex in the execution, must always be reducible by analysis to this plain statement. A product consumed must always be a product lost, be the consumer who he may : lost without return wherever no value or advantage is received in return ; but, to the tax-payer, the advantage derived from the services of the public functionary, or from the consumption effected in the prosecution of public objects, is a positive return.

If, then, public and private expenditure affect social wealth in the same manner, the principles of economy, by which it should be regulated, must be the same in both cases. There are not two kinds of economy, any more than two kinds of honesty, or of morality. If a government or an individual consume in such a way, as to give birth to a product larger than that consumed, a successful effort of productive industry will be made. If no product result from the act of consumption, there is a loss of value, whether to the state or to the individual ; yet, probably, that loss of value may have been productive of all the good anticipated. Military stores and supplies, and the time and labour of civil and military functionaries, engaged in the effectual defence of the state, are well bestowed, though consumed and annihilated ; it is the same with them, as with the commodities and personal service, that have been consumed in a private establishment. The sole benefit resulting in the latter case is, the satisfaction of a want ;

if the want had no existence, the expense or consumption is a positive mischief, incurred without an object. So likewise of the public consumption; consumption for the mere purpose of consumption, systematic profusion, the creation of an office, for the sole purpose of giving a salary, the destruction of an article, for the mere pleasure of paying for it, are acts of extravagance either in a government or an individual, in a small state or a large one, a republic or a monarchy. Nay, there is more criminality in public, than in private extravagance and profusion; inasmuch as the individual squanders only what belongs to him; but the government has nothing of its own to squander, being, in fact, a mere trustee of the public treasure. \*

What, then, are we to think of the principles laid down by those writers, who have laboured to draw an essential distinction between public and private wealth; to shew, that economy is the way to increase private fortune, but, on the contrary, that public wealth increases with the increase of public consumption; inferring thence this false and dangerous conclusion, that the rules of conduct in the management of private fortune and

\* It is mere usurpation in a government, to pretend to a right over the property of individuals, or to act as if possessing such a right; and usurpation can never constitute right, although it may confer possession. Were it otherwise, a thief, who had once, by force or fraud, obtained possession of another man's property, could never be called upon to make restitution, when overpowered and taken prisoner, for he might set up the plea of legitimate ownership.

of public treasure, are not only different, but in direct opposition ?

If such principles were to be found only in books, and had never crept into practice, one might suffer them without care or regret to swell the monstrous heap of printed absurdity ; but it must excite our compassion and indignation to hear them professed by men of eminent rank, talents, and intelligence ; and still more to see them reduced into practice by the agents of public authority, who can enforce error and absurdity at the point of the bayonet or mouth of the cannon. \*

Madame de Maintenon mentions in a letter to the Cardinal de Noailles, that, when she one day urged Louis XIV. to be more liberal in charitable donations, he replied, that Royalty dispenses charity by its profuse expenditure ; a truly alarming dogma, and one that shews the ruin of France to have been reduced to principle. † False princi-

\* The reader will readily perceive, that this and many other passages, were written under the pressure of a military despotism, which had assumed the absolute disposal of the national resources, and suffered no one to express a doubt of the justice and policy of its acts.

† *Fenelon, Vauban*, and a very few more, of the most distinguished talent, had a confused idea of the ruinous tendency of this system ; but they failed in impressing the rest of the world with the same conviction, for want of just notions on the subject of the production and consumption of wealth. Thus *Vauban*, in his *Dixme royale*, says, ‘ the present misery of France is attributable, not to the rigor of the climate, the character of the inhabitants, or the barrenness of the soil: for the

ples are more fatal than even intentional misconduct; because they are followed up with erroneous notions of self-interest, and are long persevered in without remorse or reserve. If Louis XIV. had believed his extravagant ostentation to have been a mere gratification of his personal vanity, and his conquests the satisfaction of personal ambition alone, his good sense and proper feeling would probably, in a short time, have made it a matter of conscience to desist, or at any rate, he would have stopt short for his own sake; but he was firmly persuaded, that his prodigality was for the public good as well as his own; so that nothing could stop him, but misfortune and humiliation. \*

the climate is most favorable, the people active, diligent, dexterous, and numerous: but to the frequency and long continuance of war, and to the ignorance and neglect of economy.' *Fenelon* had expressed the same sentiments in several admirable passages of his *Telemaque*, but they passed for mere declamation, as well they might; for he was not qualified to prove their truth and accuracy.

\* When *Voltaire* tells us, speaking of the superb edifices of Louis XIV., that they were by no means burthensome to the nation, but served to circulate money in the community, he gives a decisive proof, of the utter ignorance of the most celebrated French writers of his day upon these matters. He looked no further than the money employed on the occasion; and, when the view is limited to that alone, the extreme of prodigality exhibits no appearance of loss; for money is, in fact, an item, neither of revenue, nor of annual consumption. But a little closer attention will convince us of the fallacy of this position, which would lead us to the absurd inference, that no consumption whatever has occurred within the year, whenever the amount of specie at the end of it is found to be nowise diminished. The vigilance of the historian should have traced the

So little were the true principles of political economy understood, even by men of the greatest science, so late as the 18th century, that Frederic II. of Prussia, with all his anxiety in search of truth, his sagacity, and his merit, writes thus to D'Alembert, in justification of his wars: ' My numerous armies promote the circulation of money, and disburse impartially amongst the provinces

the 900 millions of *fr.* expended on the chateau of Versailles alone, from the original production by the laborious efforts of the productive classes of the nation, to the first exchange into money, wherewith to pay the taxes, through the second exchange into building materials, painting, gilding, &c. to the ultimate consumption in that shape, for the personal gratification of the vanity of the monarch. The money acted as a mere means of facilitating the transfers of value in the course of the transaction; and the winding up of the account will shew, a destruction of value to the amount of 900 millions of *fr.*, balanced by the production of a palace, in need of constant repair, and of the splendid promenade of the gardens.

Even land, though imperishable, may be consumed in the shape of the value received for it. It has been asserted, that France lost nothing by the sale of her national domains after the revolution, because they were all sold and transferred to French subjects; but what became of the capital paid in the shape of purchase-money, when it left the pockets of the purchasers? Was it not consumed and lost? (*a*)

---

(*a*) The land must remain to the community; and so must the human industry; as long as the population continues to exist unaltered; these are the primary and the secondary *sources* of production. Capital or products, which are not a *source*, but a *means* of production, may be wholly or partially destroyed by prodigality. T.

the taxes paid by the people to the state.' Again I repeat, this is not the fact; the taxes paid to the government by the subject are not refunded by its expenditure. Whether paid in money or in kind, they are converted into provisions and supplies, and in that shape consumed and destroyed by persons, that never can replace the value, because they produce no value whatever.\* It was well for Prussia that Frederic II. did not square his conduct to his principles. The good he did to his people, by the economy of his internal administration, more than compensated the mischief of his wars.

Since the consumption of nations, or the governments which represent them, occasions a loss of value, and, consequently, of wealth, it is only so far justifiable, as there results from it some national advantage, equivalent to the sacrifice of value.

\* In the execution of a national military enterprise, two different values pass through the hands of the government or its agents: 1. The value paid in taxes by the public at large: 2. The value received in supplies and services from the parties affording them. For the first of these, no return whatever is made; for the second an equivalent is paid in wages or purchase-money. Wherefore, there is no ground for saying, that the government refunds with one hand what it has received with the other; that the whole transaction is a mere circulation of value, and causes no loss to the nation; for the government returns but 1, where it receives 2; the loss of the other half falls upon the community at large. Thus, the national, being but the aggregate of individual, wealth, is diminished to the extent of the total consumption of the government, *minus* the product of the public establishment; as we shall presently see more in detail.

The whole skill of government, therefore, consists in the continual and judicious comparison of the sacrifice about to be incurred, with the expected benefit to the community; for I have no hesitation in pronouncing every instance, where the benefit is not equivalent to the loss, to be an instance of folly, or of criminality, in the government.

It is yet more monstrous, then, to see how frequently governments, not content with squandering the substance of the people \* in folly and absurdity, instead of aiming at any return of value, actually spend that substance in bringing down upon the nation calamities innumerable; practice exactions the most cruel and arbitrary, to forward schemes the most extravagant and wicked; first rifle the pockets of the subject, to enable them afterwards to urge him to the further sacrifice of his blood. Nothing, but the obstinacy of human passion and weakness, could induce me again and again to repeat these unpalatable truths, at the risk of incurring the charge of declamation.

The consumption effected by the government †

\* It has been seen in the concluding chapter of Book II., that, inasmuch as population is always commensurate with production, the obstruction of the progressive multiplication of products is a preventive check to the further multiplication of the human race; and that the waste of capital, the extinction of industry, and the exhaustion of the sources of production, amounts to positive decimation of those in actual existence. A wicked or ignorant administration may, in this way, be a far more destructive scourge, than war with all its atrocities.

† By government, I mean, the ruling power in all its branches, and under whatever constitutional form; it would be wrong to limit  
limit

forms so large a portion of the total national consumption, amounting sometimes to a sixth, a fifth, or even a fourth part\* of the total consumption of the community, that the system acted upon by the government, must needs have a vast influence upon the advance or decline of the national prosperity. Should an individual take it into his head, that the more he spends the more he gets, or that his profusion is a virtue; or should he yield to the power-

limit the term to the executive branch alone; the first enactment of a law is as much an act of authority, as its subsequent enforcement.

\* The consumption of a nation may undoubtedly exceed its aggregate annual revenue; but we can hardly suppose that of Great Britain to have done so; for she has evidently been advancing in opulence up to the present time, whence it may be inferred, that her consumption, at the very utmost, only equals her revenue. *Gentz*, who will hardly be accused of underrating the financial resources of that country, estimated her total annual revenue at no more than 200 millions sterling; Dr. Beeke at 218 millions, inclusive of 100 millions for the revenues of industry. Granting her to have made some further progress since those estimates were made, and that her total revenue in 1813, had advanced to 224 millions, we are told by Colquhoun, in his *Wealth, Power, and Resources of the British Empire*, that her public expenditure in that year amounted to 112 millions. By this statement it should seem, that her public expenditure then amounted to the half of the total expenditure of the nation! Moreover, the expenses of her central government do not include all her public charges; there are to be added, county and parish rates, poor-rates, &c. &c. The business of government might be conducted, even in extensive empires, at a charge of not more than one per cent. upon the aggregate of individual revenue; but, to attain this degree of perfection, a vast improvement is still requisite in the department of practical policy.



ful attractions of pleasure, or the suggestions of perhaps a reasonable resentment, he will in all probability be ruined, and his example will operate upon a very small circle of his neighbours. But a mistake of this kind in the government will entail misery upon millions, and possibly end in the national downfall or degradation. It is doubtless very desirable, that private persons should have a correct knowledge of their personal interests; but it must be infinitely more so, that governments should possess that knowledge. Economy and order are virtues in a private station; but, in a public station, their influence upon national happiness is so immense, that one hardly knows how sufficiently to extol and honor them in the guides and rulers of national conduct.

An individual is fully sensible of the value of the article he is consuming; it has probably cost him a world of labour, perseverance, and economy; he can easily balance the satisfaction he derives from its consumption against the loss it will involve. But a government is not so immediately interested in regularity and economy, nor does it so soon feel the ill consequences of the opposite qualities. Besides, private persons have a further motive than even self-interest; their feelings are concerned; their economy may be a benefit to the objects of their affection; whereas, the economy of a ruler accrues to the benefit of those he knows very little of; and perhaps he is but husbanding for an extravagant and rival successor.

Nor is this evil remedied, by adopting the principle of hereditary rule. The monarch has little of the feelings common to other men in this respect. He is taught to consider the fortune of his descendants as secure, if they have ever so little assurance of the succession. Besides, the far greater part of the public consumption is not personally directed by himself; contracts are not made by himself, but by his generals and ministers; the experience of the world hitherto, all tends to show, that aristocratical republics are more economical, than either monarchies or democracies.

Neither are we to suppose, that the genius, which prompts and excites great national undertakings, is incompatible with the spirit of public order and economy. The name of Charlemagne stands among the foremost in the records of renown; he achieved the conquest of Italy, Hungary, and Austria; repulsed the Saracens; broke the Saxon confederacy; and obtained at length the honors of the purple. Yet Montesquieu has thought it not derogatory to say of him, that 'the father of a family might take a lesson of good house-keeping from the ordinances of Charlemagne. His expenditure was conducted with admirable system; he had his demesnes valued with care, skill, and minuteness. We find detailed in his capitularies, the pure and legitimate sources of his wealth. In a word, such was his regularity and thrift, that he gave orders for the eggs of his poultry-yards, and the surplus vegetables of his

garden to be brought to market.\* The celebrated Prince Eugene, who displayed equal talent in negotiation and administration as in the field, advised the Emperor Charles VI., to take the advice of merchants and men of business, in matters of finance.† Leopold, when Grand Duke of Tuscany, towards the close of the 18th century, gave an eminent example of the resources, to be derived from a rigid adherence to the principles of private economy, in the administration of a state of very limited extent. In a few years, he made Tuscany one of the most flourishing states of Europe.

The most successful financiers of France, Suger, Abbé de St. Denis, the Cardinal d'Amboise, Sully, Colbert, and Necker, have all acted on this same principle. All found means of carrying into effect the grandest operations, by adhering to the dictates of private economy. The Abbé de St. Denis furnished the outfit of the second crusade; a scheme, that required very large supplies, although one I am far from approving. The Cardinal furnished Louis XII. with the means of making his conquest of the Milanese. Sully accumulated the resources, that afterwards humbled the house of Austria. Colbert supplied the splendid operations of Louis XIV. Necker pro-

\* *Esprit des Loix*, liv. xxxi. c. 18.

† *Memoires du Prince Eugène par lui-même*, p. 187. The authenticity of this work has been contested, as well as the *Testament Politique* of Richelieu. If not themselves the authors, they must at least have been men of equal capacity; of which there is still less probability.

vided the ways and means of the only successful war waged by France in the 18th century.\*

Those governments, on the contrary, that have been perpetually pressed with the want of money, have been obliged, like individuals, to have recourse to the most ruinous, and sometimes the most disgraceful, expedients to extricate themselves. Charles the Bald put his titles and safe-conducts up to sale. Thus too, Charles II. of England sold Dunkirk to the French king, and took a bribe of 80,000*l.* from the Dutch, to delay the sailing of the English expedition to the East Indies, in 1680, intended to protect their settlements in that quarter, which, in consequence, fell into the hands of the Dutchmen.† Thus, too, have governments committed frequent acts of bankruptcy, sometimes in the shape of adulteration of their coin, and sometimes by open breach of their engagements.

Louis XIV. towards the close of his reign, having utterly exhausted the resources of a noble territory, was reduced to the paltry shift of creating the most ridiculous offices, making his coun-

\* He contrived to meet the charges of the American war, without the imposition of any additional taxes. He has been reproached, indeed, with having incurred heavy loans; but it is obvious, that, so long as he found means to pay the interest upon them without fresh taxation, they were nowise burthensome upon the nation; and that the interest must have been defrayed by retrenchment of the expenditure.

† *Raynal. Histoire des Etab. des Europ. dans les Indes, tom. ii. p. 36.*

sellors of state, one an inspector of faggots, another a licenser of barber-wig-makers, another visiting inspector of fresh, or taster of salt, butter, and the like. Such paltry and mischievous expedients can never long defer the hour of calamities, that must sooner or later befall extravagant and spendthrift governments. ‘When a man will not listen to reason,’ says Franklin, ‘she is sure to make herself felt.’

Fortunately, an economical administration soon repairs the mischiefs of one of an opposite character. Sound health cannot be restored all at once; but there is a gradual and perceptible improvement: every day some cause of complaint disappears, and some new faculty comes again into play. Half the remaining resources of a nation, impoverished by an extravagant administration, are neutralised by alarm and uncertainty: whereas, credit\*

\* The expressions, *credit is declining*, *credit is reviving*, are common in the mouths of the generality, who are, for the most part, ignorant of the precise meaning of *credit*. It does not imply confidence in the government exclusively; for the bulk of the community have no concern with government, in respect to their private affairs. Neither is it exclusively applied to the mutual confidence of individuals; for a person in good repute and circumstances does not forfeit them all at once; and, even in times of general distress, the forfeiture of individual character is by no means so universal, as to justify the assertion, that credit is at an end. It would rather seem to imply, confidence in future events. The temporary dread of taxation, arbitrary exaction, or violence, will deter numbers from exposing their persons or their property; undertakings, however promising and well-planned, become too hazardous; new ones are altogether discouraged; old ones feel a diminution

doubles those of a nation, blessed with one of a frugal character. It would seem, that there exists in the politic, to a stronger degree than even in the natural, body a principle of vitality and elasticity, which cannot be extinguished without the most violent pressure. One cannot look into the pages of history, without being struck with the rapidity, with which this principle has operated. It has no where been more strikingly exemplified, than in the frequent vicissitudes that our own France has experienced since the commencement of the revolution. Prussia has afforded another illustration in our time. The successor of Frederick the Great squandered the accumulations of that monarch, which were estimated at no less a sum than 228 millions of *francs*, and left behind him besides a debt of 112 millions. In less than eight years, Frederick William III. had not only paid off his father's debts, but actually began a fresh accumulation; such is the power of economy, even in a country of limited extent and resources!

of profit; merchants contract their operations; and consumption in general falls off, in consequence of the decline and the uncertainty of individual revenue. There can be no confidence in future events, either under an enterprising, ambitious, or unjust government, or under one, that is wanting in strength, decision, or method. Credit, like chrySTALLISATION, can only take place in a state of quiescence.

## SECT. II.

*Of the principal Objects of National Expenditure.*

IN the preceding section, it has been endeavoured to show, that, since all consumption by the public is in itself a sacrifice of value, an evil balanced only by such benefit, as may result to the community from the satisfaction of any of its wants, a good administration will never spend for the mere sake of spending, but take care to ascertain that the public benefit, resulting, in each instance, from the satisfaction of a public want, shall exceed the sacrifice incurred in its acquirement.

A comprehensive view of the principal public wants of a civilized community, can alone qualify us to estimate with tolerable accuracy the sacrifice it is worth while for the community to make for their gratification.\*

The public consumes little else, but what have been denominated, *immaterial* products, that is to say, products destroyed as soon as created; in other words, the services or agency, either of

\* A mere sketch is all that can be expected in a work like the present: a complete treatise on government would be equally inappropriate with a survey of the arts, when it became incidentally necessary to touch upon the processes of manufacture. Yet either would be a valuable addition to literary wealth.

human beings, or of other objects, animate or inanimate. \*

It consumes the personal service of all its functionaries, civil, judicial, military, or ecclesiastical. It consumes the agency of land and capital. The navigation of rivers and seas, utility of roads and ground open to the public, are so much agency derived by the public from land, of which either the absolute property, or the beneficial enjoyment, is vested in the public. Where capital has been vested in the land, in the shape of buildings, bridges, artificial harbours, causeways, dikes, canals, &c. the public then consumes the agency, or the rent, of the land, *plus* the agency, or the interest, of the capital so vested.

Sometimes the public maintains establishments of productive industry; for instance, the porcelain manufacture of Sèvres, the Gobelin tapestry, the salt-works of Lorraine and of the Jura, &c. in France. When concerns of this kind bring more than their expenditure, which is but rarely the case, they furnish part of the national revenue, and must by no means be classed among the items of national charge.

\* This rule must be taken with some qualification. The habitual largesses of corn, distributed by the emperors to the people of antient Rome, were material objects of public consumption. So likewise the provisions of all kinds consumed in hospitals and prisons, and the fireworks used on occasions of public display or rejoicing, for the amusement of the public at large.



*Of the Charge of Civil and Judicial Administration.*

The charge of civil and judicial administration is made up, partly of the specific allowances of magistrates and other officers, and partly of such degree of pomp and parade, as may be deemed necessary in the execution of their duties. Even if the burthen of that pomp and parade be thrown wholly or partially upon the public functionary, it must ultimately fall upon the shoulders of the public ; for the salary of the functionary must be raised, in proportion to the appearance he is expected to make. This observation applies to every description of functionary, from the prince to the constable inclusive ; consequently, a nation, which reverences its prince only when surrounded with the externals of greatness, with guards, horse and foot, laced liveries, and such costly trappings of royalty, must pay dearly for its taste. If, on the contrary, it can be content to respect simplicity rather than pageantry, and obey the laws, though unaided by the attributes of pomp and ceremony, it will save in proportion. This is what made the charges of government so light, in many of the Swiss cantons before the revolution ; and in the North American colonies, before their emancipation. It is well known, that those colonies, though under the dominion of England, had separate governments, of which they respectively defrayed the charge ; yet the whole annual expenditure all together amounted to no more than 64,700*l.* sterling. ‘An ever memorable example,’

observes Smith, ‘at how small an expense three millions of people may not only be governed, but well governed.’\*

\* It should be recollected, however, that they were at no charge of defence from external attack, except in respect to the savage tribes of the interior.

From the official account of the receipts and disbursements of the United States, in the year 1806, presented by Mr. Galatin, then Secretary of the Treasury, it appears that the total expenditure fell short of 12 millions of dollars, of which 8 millions went to pay the interest of the public debt; leaving a sum of 4 millions only (*i. e.* somewhat more than 21 millions of *francs*) for the charge of government, that is to say, the civil, judicial, military, and other public functions of a population of 12 millions: which is wholly defrayed by taxes on imports. (*b*)

---

(*b*) This account is exclusive of the local disbursements of the different States. The population of the Union, in 1806, was never estimated higher than 8 millions. The public debt and charges have both advanced very rapidly since that period, principally in consequence of the second war with Great Britain. The accounts for the year 1820 show a receipt of 22,326,244 dollars, inclusive of loans and balance of preceding year; and an expenditure of 25,064,413 dollars, inclusive of interest on the public debt; exhibiting a deficit of 2,638,169. The estimates for 1821 show a receipt of 16,550,000, dollars, and an expenditure of 21,363,417 dollars, exhibiting a deficit, inclusive of that of 1820, of no less than 7,451,595 dollars, which has been reduced by retrenchments to 4,658,483 dollars: to meet this, a loan has been again proposed, as the only alternative of a return to internal taxation. If America should persist in her views of naval aggrandizement, and in her absurd imitation of the errors of the English prohibitive system, and, above all, in her attempt to return to a metallic money, she will probably soon find her finances still less flourishing than at present. T.

Causes entirely of a political nature, as well as the form of government which they help to determine, have an influence in apportioning the salaries of public officers, civil and judicial, the charge of public display, and those likewise of public institutions and establishments. Thus, in a despotic government, where the subject holds his property at the will of the sovereign, who fixes himself the charge of his household, that is to say, the amount of the public money which he chooses to spend on his personal necessities and pleasures and the keeping up of the royal establishment, that charge will probably be fixed at a higher rate, than where it is arranged and contested between the representatives of the prince and of the tax-payers respectively.

The salaries of inferior public officers in like manner depend, partly upon their individual importance, and partly upon the general plan of government. Their services are dear or cheap to the public, not merely in proportion to what they actually cost, but likewise in proportion as they are well or ill executed. A duty ill performed is dearly bought, however little be paid for it; it is dear too, if it be superfluous, or unnecessary; resembling in this respect an article of furniture, that, if it do not answer its purpose, or be not wanted, is mere useless lumber. Of this description, under the old *regime* of France, were the offices of high-admiral, high-steward of the household, the king's cup-bearer, the master of his hounds, and a variety of others, which added no-

thing even to the splendor of royalty, and were merely so many means of dispensing personal favor and emolument.

For the same reason, whenever the offices of government are needlessly multiplied, the people are saddled with charges, which are not necessary to the maintenance of public order. It is only giving an unnecessary form to that benefit, or product, which is not at all the better for it, if indeed it be not worse.\* A bad government, that cannot support its violence, injustice, and exaction, without a multitude of mercenaries, satellites, and spies, and gaols innumerable, makes its subjects pay for its prisons, spies, and soldiers, which nowise contribute to the public happiness.

On the other hand, a public duty may be cheap, although very liberally paid. A low salary is wholly thrown away upon an incapable and inefficient officer; his ignorance will probably cost the public ten times the amount of his salary; but the knowledge and activity of a man of ability are fully equivalent to the pay he receives; the losses he saves to the public, and the benefits derived from his exertions, greatly outweigh his personal emolument, even if settled on the most liberal scale.

\* An example occurs to me of a city of France, whose municipal administration was both mildly and efficiently conducted before 1789, at a charge of 1000 crowns per annum only; but under the imperial government, though it cost 30,000 *fr.*, afforded no security against the caprice and arbitrary will of the sovereign.

There is real economy in procuring the best of every thing, even at a larger price. Merit can seldom be engaged at a low rate, because it is applicable to more occupations than one. The talent, that makes an able minister, would, in another profession, make a good advocate, physician, farmer, or merchant; and merit will find both employment and emolument in all these departments. If the public service offer no adequate reward for its exertion, it will choose some other more promising occupation.

Integrity is like talent; it cannot be had without paying for it, which is not at all wonderful; for the honest man cannot resort to those discreditable shifts and contrivances, which dishonesty looks to as a supplemental resource.

The power, which commonly accompanies the exercise of public functions, is a kind of salary, that often far exceeds the pecuniary emolument attached to them. It is true, that, in a well ordered state, where law is supreme, and little is left to the arbitrary control of the ruler, there is little opportunity of indulging the caprice and love of domination implanted in the human breast. Yet the discretion, which the law must inevitably vest in those who are to enforce it, and particularly in the ministerial department, together with the honor commonly attendant on the higher offices of the state, have a real value, which makes them eagerly sought after, even in countries where they are by no means lucrative.

The rules of strict economy would probably

make it advisable to abridge all pecuniary allowance, wherever there are other sufficient attractions to excite a competition for office, and to confer it on none but the wealthy ; were there not a risk of losing, by the incapacity of the officer, more than would be gained by the abridgement of his salary. This, as Plato well observes in his Republic, would be like entrusting the helm to the richest man on board. Besides, there is some danger that a man, who gives his services for nothing, will make his authority a matter of gain, however rich he may be. The wealth of a public functionary is no security against his venality: for ample fortune is commonly accompanied with desires as ample, and probably even more ample, especially if he have to keep up an appearance, both as a man of wealth and as a magistrate. Moreover, supposing what is not altogether impossible, namely, that one can meet with wealth united with probity, and with, besides, the activity requisite to the due performance of public duty, is it wise to run the risk of adding the preponderance of authority to that of wealth, which is already but too manifest ? With what grace could his employers call to account an agent, who could assume the merit of generosity, both with the people and with the government ? There are, however, some ways, in which the gratuitous services of the rich may be employed with advantage ; particularly in those departments, that confer more honor than power : as in the administration of institutions of public charity, or of public correction or punishment.

In France under the old *regime*, the government, when harassed with the want of money, was in the habit of putting up its offices to sale. This is the very worst of all expedients : it introduces all the mischiefs of gratuitous service ; for the emolument is then no more, than the interest of the capital expended in the purchase of the office ; and has the additional evil of costing to the state as much, as if the service were not gratuitously performed ; for the public remains charged with the interest of a capital, that has been consumed and lost.

It has been sometimes the practice to consign certain civil functions, such as the registry of births, marriages, and deaths, to the ecclesiastical body, whose emoluments, arising from their clerical duties, may be supposed to enable them to execute these without pay. But there is always danger in confiding the execution of civil duties to a class of men, that pretend to a commission from a still higher than the national authority. \*

In spite of every precaution, the public or the

---

\* Several times during the last century the Molinist priesthood refused to execute their clerical duties in favor of the Jansenists, in spite of all the government could do ; on the pretence, that it was better to obey the divine command as conveyed by the voice of the Pope, than that of any human authority. (c)

---

(c) This inconvenience can arise only in countries, where there is an exclusive national church, subjected, in matters of doctrine and discipline, to an independent or external superior : as in countries embracing the faith of Rome. But there is another inconvenience, that has been much dwelt upon by an eminent

monarch will never be served so well or so cheaply as individuals. Inferior public agents cannot be so narrowly watched by their superiors, as private ones; nor have the superiors themselves an equal interest in vigilant superintendance. Besides, it is easy enough for underlings to impose on a superior, who has many to look after, is perhaps placed at a distance, and can give but little attention to each individually; and whose vanity makes him more alive to the officious zeal of his inferior, than to the real service and utility, that the public good requires. As to the monarch and the nation, who are the parties most interested in good public administration, because it consolidates the power of the one and enlarges the happiness of the other, it is next to impossible for them to exert a perpetual and effectual control. In most cases, this duty must of necessity devolve on agents, who will deceive them when it is their interest to do so, as is proved by abundance of examples. ‘Public services,’ says Smith, ‘are never better performed, than when their reward comes only in consequence of their being performed, and is proportioned to the diligence employed in performing them.’ Accordingly, he recommends, that the salaries of judges should be paid at the final determination of each suit, and the share of each judge proportioned to their

---

eminent divine of the Scottish church; viz. the inconvenience of directing the attention of the priesthood from its clerical to civil functions, and, by a confusion of such different duties, abridging the benefit of division of labour. T.



respective trouble in the progress of it. This would be some encouragement to the diligence of each particular judge, as well as to that of the court, in bringing litigation to an end. There would be some difficulty in applying this method to all the branches of the public service; and it would probably introduce as great abuses in the opposite way; but it would at least be productive of one good; viz. preventing the needless multiplication of offices. It would likewise give the public the same advantage of competition, as enjoyed by individuals, in respect to the services they call for.

Not only are the time and labour of public men in general better paid for than those of other persons, besides being often wasted by their own mismanagement, without the possibility of an efficient check; but there is often a further enormous waste, occasioned by compliance with the customs of the country, and court etiquette. It would be curious to calculate the time wasted in the toilet, or to estimate, if possible, the many dearly-paid hours lost, in the course of the last century, on the road between Paris and Versailles.

Thus, in the governments of Asia, there is an immense waste of the time of the superior public servants in tedious and ceremonious observances. The monarch, after allowing for the hours of customary parade, and those of personal pleasure, has little time left to look after his own affairs, which, consequently, soon go to ruin. Frederick II. of Prussia, by adopting a contrary line of conduct,

and by the judicious distribution and apportionment of his time, contrived to get through a great deal of business himself. By this means, he really lived longer than older men than himself, and succeeded in raising his kingdom to a first-rate power. His other great qualities, doubtless, contributed to his success; but they would not have been sufficient, without a methodical arrangement of his time.

*Of Charges, Military and Naval.*

When a nation has made any considerable progress in commerce, manufacture, and the arts, and its products have, consequently, become various and abundant, it would be an immense inconvenience, if every citizen were liable to be dragged from a productive employment, which has become necessary to society, for the purposes of national defence. The cultivator of the soil works no longer for the sustenance of himself and family only, but also for that of many other families, who are either owners of the soil, and share in its produce, or traders and manufacturers, that supply him with articles he cannot do without. He must, therefore, cultivate a larger extent of surface, must vary his tillage, keep a larger stock of cattle, and follow a complex mode of cultivation, that will fully occupy his leisure between seed-time and harvest. \*

\* The Greeks, until the second Persian war, and the Romans, until the siege of Veii, regularly made their military campaigns in  
in

Still less can the trader and manufacturer afford thus to sacrifice time and talents, whereof the constant occupation, except during the intervals of rest, is necessary to the production, from which they are to derive their subsistence.

The owners of land let out to farm may, undoubtedly, serve as soldiers without pay; as, indeed, the nobility and gentry do, in some measure, in monarchical states; but they are, for the most part, so much accustomed to the sweets of social existence, so little goaded by necessity towards the conception and achievement of great enterprises, and feel so little of the enthusiasm of emulation and *esprit de corps*, that they commonly prefer a pecuniary sacrifice, to that of comfort, and possibly of life. And these motives operate equally with the owners of capital.

All these reasons have led individuals, in most modern states, to consent to a taxation, that may enable the monarch or the republic to defend the country against external violence with a hired and professional soldiery, who are, however, too apt to become the tools of their leader's ambition or tyranny.

When war has become a trade, it benefits, like

in that interval. Nations of hunters or shepherds, that pay little attention to the arts, and none to agriculture, like the Tartars and Arabs, are less circumscribed in time, and can prosecute their warlike enterprises in any quarter, that promises booty, and furnishes pasturage. Hence the vast area of the conquests of Attila, Genghis-Khân, and Tamerlane, and of the Moors and the Turks.

all other trades, from the division of labour. Every branch of human science is pressed into its service. Distinction or excellence, whether in the capacity of general, engineer, subaltern, or even private soldier, cannot be attained without long training, perhaps, and constant practice. The nation, which should act upon a different principle, would lie under the disadvantage of opposing the imperfection, to the perfection, of art. Thus, excepting the cases, in which the enthusiasm of a whole nation has been roused to action, the advantage has uniformly been on the side of a disciplined and professional soldiery. The Turks, although professing the utmost contempt for the arts of their Christian neighbours, are compelled by the dread of extermination to be their scholars in the art of war. The European powers were all forced to adopt the military tactics of the Prussians; and, when the violent agitation of the French revolution pressed every resource of science to the aid of the armies of the republic, the enemies of France were obliged to follow the example.

This extensive application of science, and adaptation of fresh means and more ample resources to military purposes, have made war far more expensive now, than in former times. It is necessary now-a-days, to provide an army beforehand, with supplies of arms, ammunition, magazines of provision, ordnance, &c., equal to the consumption of one campaign at the least. The invention of gunpowder has introduced the use of weapons more complex and expensive, and very chargeable in

the transport, especially the field and battering trains. Moreover, the wonderful improvement of naval tactics, the variety of vessels of every class and construction, all requiring the utmost exertion of human genius and industry; the yards, docks, machinery, store-houses, &c., have entailed upon nations addicted to war almost as heavy an expense in peace, as in times of actual hostility; and obliged them not only to expend a great portion of their income, but to vest a great amount of capital likewise, in military establishments. In addition to all which, it is to be observed, that the modern colonial system, that is to say, the system of retaining the sovereignty of towns and provinces in distant parts of the world, has made the European states open to attack and aggression in the most remote quarters of the globe, and the whole world the theatre of warfare, when any of the leading powers are the belligerents. \*

Wealth has, consequently, become as indispensable as valour to the prosecution of modern warfare; and a poor nation can no longer withstand a rich one. Wherefore, since wealth can be acquired only by industry and frugality, it may safely be predicted, that every nation, whose agriculture, manufacture, and commerce, shall be ruined by bad government, or exorbitant taxation, must in-

\* It has been calculated, that every soldier, brought into the field by Great Britain, during her last war with America, cost her twice as much as one on the continent of Europe. And the other charges of warfare must of course be aggravated by the distance in an equal ratio.

fallibly fall under the yoke of its more provident neighbours. We may further conclude, that henceforward national strength will accompany national science and civilization; for none but civilized nations can maintain considerable standing armies; so that there is no reason to apprehend the future recurrence of those sudden overthrows of civilized empires by the influx of barbarous tribes, of which history affords many examples.

War costs a nation more than its actual expense; it costs, besides, all that would have been gained, but for its occurrence. When Louis XIV. in 1672, resolved, in a fit of passion, to chastise the Dutch for the insolence of their newspaper writers, Boreel, the Dutch ambassador, laid before him a memorial, showing that France, through the medium of Holland, sold produce annually to foreign nations, to the amount of sixty millions *fr.* at the then scale of price; which will fall little short of 120 millions at the present. But the court treated his representations as the mere empty bravado of an ambassador.

To conclude: the charges of war would be very incorrectly estimated, were we to take no account of the havoc and destruction it occasions; for that one at least of the belligerents, whose territory happens to be the scene of operations, must be exposed to its ravages. The more industrious the nation, the more does it suffer from warfare. When it penetrates into a district abounding in agricultural, manufacturing, and commercial establishments, it is like a fire in a place full of com-

bustibles ; its fury is aggravated, and the devastation prodigious. Smith calls the soldier an unproductive labourer ; would to God he were nothing more, and not a destructive one into the bargain ! he not only adds no product of his own (*d*) to the general stock of wealth, in return for the necessary subsistence he consumes, but is often set to work to destroy the fruits of other people's labour and toil, without doing himself any benefit.

The tardy, but irresistible expansion of intelligence will probably operate a still further change in external political relations, and with it a prodigious saving of expenditure for the purposes of war. Nations will be taught to know, that they have really no interest in fighting one another ; that they are sure to suffer all the calamities incident to defeat, while the advantages of success are altogether illusory. According to the international policy of the present day, the vanquished are sure to be taxed by the victor, and the victor by domestic authority : for the interest of loans must be raised by taxation. There is no instance on record, of any diminution of national expenditure being effected by the most successful issue of hostilities. And, what is the glory it can confer more, than a mere toy of the most extravagant

---

(*d*) This is too generally expressed. Where security from external attack is only to be had by means of a professional soldiery, the soldier is a productive agent, — productive of the immaterial product, security from external attack ; than which, under certain circumstances, none can be more valuable. T.

price, that can never even amuse rational minds for any length of time? Dominion by land or sea will appear equally destitute of attraction, when it comes to be generally understood, that all its advantages rest with the rulers, and that the subjects at large derive no benefit whatever. To private individuals, the greatest possible benefit is, entire freedom of intercourse, which can hardly be enjoyed except in peace. Nature prompts nations to mutual amity; and, if their governments take upon themselves to interrupt it, and engage them in hostility, they are equally inimical to their own people, and to those they war against. If their subjects are weak enough to second the ruinous vanity or ambition of their rulers in this propensity, I know not how to distinguish such egregious folly and absurdity, from that of the brutes, that are trained to fight and tear each other to pieces, for the mere amusement of their savage masters.

But human intelligence will not stand still; the same impulse, that has hitherto borne it onwards, will continue to advance it yet further.\* The very circumstance of the vast increase of expense

\* Those, who deny the progressive influence of human reason, must have studied history to very little purpose. The perfidy and cruelty of war has considerably abated, in Europe more than in Asia or America, and most of all amongst the most polished of the European nations. The ungenerous character of some recent military enterprises roused so much public indignation, as to make them recoil upon the projectors with ruinous violence.



attending national warfare has made it impossible for governments henceforth to engage in it, without the public assent, express or implied; and that assent will be obtained with the more difficulty, in proportion as the public shall become more generally acquainted with their real interest. The national military establishment will be reduced to what is barely sufficient to repel external attack; for which purpose little more is necessary, than a small body of such kinds of troops, as cannot be had without long training and exercise; as of cavalry and artillery. For the rest, nations will rely on their militia, and on the excellencè of their internal polity; for it is next to impossible to conquer a people, unanimous in their attachment to their national institutions; and their attachment will always be proportionate to the loss, they will incur by a change of domination.\*

*Of the Charges of public Instruction.*

Two questions have been raised in political economy: 1. whether the public be interested in the cultivation of science in all its branches?

\* I am here speaking of the only sure reliance in an enlightened age. A people, that has nothing to lose by a change of domination, may defend itself with the most determined gallantry. The Moosulman will rush on certain destruction, in the cause of a prince and a faith, that are neither of them worth defending. But political and religious prejudice will sooner or later fall to the ground; and leave mankind to seek for some more reasonable object of devotion.

2. whether it be necessary, that the public should be at the expense of teaching those branches, it has an interest in cultivating?

Whatever be the position of man in society, he is in constant dependence upon the three kingdoms of nature. His food, his clothing, his medicines, every object either of business or of pleasure, is subject to fixed laws; and the better those laws are understood, the more benefit will accrue to society. Every individual, from the common mechanic, that works in wood or clay, to the prime minister, that regulates with a dash of his pen the agriculture, the breeding of cattle, the mining, or the commerce of a nation, will perform his business the better, the better he understands the nature of things, and the more his understanding is enlightened.

For this reason, every advance of science is followed by an increase of social happiness. A new application of the lever, or of the power of water or wind, or even a method of reducing the friction of bodies, will, perhaps, have an influence on twenty different arts. An uniformity of weights and measures, arranged upon mathematical principles, would be a benefit to the whole commercial world, if it were wise enough to adopt such an expedient. An important discovery in astronomy or geology may possibly afford the means of ascertaining the longitude at sea with precision; which would be an immense advantage to navigation all over the world. The naturalization in Europe of a new botanical genus or species might possibly

influence the comfort of many millions of individuals.\*

Among the numerous classes of science, theoretical and practical, which it is the interest of the public to advance and promote, there are fortunately many, that individuals have a personal interest in pursuing, and which the public, therefore, is not called upon to pay the expense of teaching. Every adventurer in any branch of industry is urged most strongly by self-interest to learn his business and whatever concerns it: the journeyman gains in his apprenticeship, besides manual dexterity, a variety of notions and ideas only to be learnt in the workshop, and which can be no otherwise recompensed, than by the wages he will receive.

But it is not every degree or class of knowledge, that yields a benefit to the individual, equivalent to that accruing to the public. In treating above† of the profits of the man of science, I have shown the reason, why his talents are not adequately remunerated; yet theoretical, is quite as useful to society as practical, knowledge; for how could science ever be applied to the practical utility of

\* Should the expected success attend the attempt to naturalize in Europe the flax of New Zealand, which is greatly superior to that of Europe in the length and delicacy of the fibre, as well as in the abundance of the crop, it is possible, that fine linen may be produced at the rate now paid for the coarsest quality; which would greatly improve the cleanliness and health of the lower classes.

† Book II. chap. 7. sect. 2.

mankind, unless it were discovered and preserved by the theorist? It would rapidly degenerate into mere mechanical habit, which must soon decline; and the downfall of the arts would pave the way for the return of ignorance and barbarism.

In every country, that can at all appreciate the benefits to be derived from the enlargement of human faculties, it has been deemed by no means a piece of extravagance, to support academies and learned institutions, and a limited number of very superior schools, intended, not as mere repositories of science, and of the most approved modes of instruction, but as a means of its still further extension. But it requires some skill in the management, to prevent such establishments from operating as an impediment, instead of a furtherance, to the progress of knowledge, and as an obstruction rather than as an avenue to the improvement of education. Long before the revolution it had become notorious, that most of our French universities had been thus perverted from the intention of their founders. All the principal discoveries were made elsewhere; and most of them had to encounter the weight of their influence over the rising generation and credit with men in power.\*

\* What was denominated an University, under the reign of Napoleon, was a still more mischievous institution; being, in fact, but a most expensive and vexatious contrivance, for depraving the intellectual faculties of the rising generation, by substituting, in the place of just and correct notions of things, opinions calculated to perpetuate the political slavery of their country.

From this example, we may see how dangerous it is, to entrust them with any discretionary control. If a candidate presents himself for examination, he must not be referred to teachers, who are at the same time judges and interested parties, sure to think well of their own scholars, and ill of those of every body else. The merit of the candidate should alone decide, and not the place where he happens to have studied, nor the length of his probation; for, to oblige a student in any science, medicine for instance, to learn it at a particular place, is, possibly, to prevent his learning it better elsewhere; and, to prescribe any fixed routine of study, is, possibly, to prevent his finding a shorter road. Moreover, in deciding upon comparative merit, there is much unfairness to be apprehended from the *esprit de corps* of such communities.

Encouragement may, with perfect safety, be held out to a mode of instruction of no small efficacy; I mean, the composition of good elementary\* works. The reputation and profit of a good book in this class do not indemnify the labour, science,

\* Under this head, I would include, the fundamental parts of knowledge in every department, and the familiar instruction adapted to each specific calling, respectively; such as would impart at a cheap rate to the hatter, the metal-founder, the potter, the dyer, &c. the general principles of their respective arts. Works of this kind keep up a constant channel of communication between the practical and theoretical branches, and enable them to profit mutually by each other's experience.

and skill, requisite to its composition. (*e*) A man must be a fool to serve the public in this line, where the natural profit is so little proportioned to the benefit derived to the public. The want of good elementary books will never be thoroughly supplied, until the public shall hold out temptation, sufficiently ample to engage first-rate talents in their composition. It does not answer to employ particular individuals for the express purpose; for the man of most talent will not always succeed the best: nor to offer specific premiums; for they are often bestowed on very imperfect productions, and the encouragement ceases the moment the premium is awarded. But merit in this kind should be paid proportionately to its degree, and always liberally. A good work will thus be sure to be superseded by a better, till perfection is at last attained in each class. And I must observe, by the way, that there is no great expense incurred by liberally rewarding excellence; for it must always be extremely rare; and, what is a great sum to an individual, is a small matter to the pockets of a nation.

These are the kinds of instruction most calculated to promote national wealth, and most likely to retrograde, if not in some measure supported

---

(*e*) This can only be true, where the demand for such works is limited. In England, works of instruction are probably amongst the most profitable to the authors. T.

by the public. There are others, which are essential to the softening of national manners, and stand yet more in need of that support.

When the useful arts have arrived at a high degree of perfection, and labour has been very generally and minutely subdivided, the occupation of the lowest classes of labourers is reduced to one or two operations, for the most part simple in themselves, and continually repeated: to these their whole thought and attention are directed; and from them they are seldom diverted by any novel or unforeseen occurrence: their intellectual faculties, being rarely or never called into play, must of course be degraded and brutified, and themselves rendered incapable of uttering two words of common sense out of their peculiar line of business, and utterly devoid of any generous ideas or elevated notions. Elevation of mind is generated by enlarged views of men and things, and can never exist in a being incapable of conceiving the general bearings and connexions of objects. A plodding mechanic can conceive no connection between the inviolability of property and public prosperity, or how he can be more interested in that prosperity, than his more wealthy neighbour; but is apt to consider all these capital benefits as so many encroachments on his rights and happiness. A certain degree of education, of reading, of reflection while at work, and of intercourse with persons of his own condition, will open his mind to these conceptions, as well as introduce

a little more delicacy of feeling into his conduct, as a father, a husband, a brother, or a citizen.

But, in the vast machinery of national production, the mere manual labourer is so placed, as to earn little or nothing more than a bare subsistence. The most he can do is, to rear his young family, and bring them up to some occupation: he cannot be expected to give them that education, which we have supposed the well-being of society to require. If the community wish to have the benefit of more knowledge and intelligence in the labouring classes, it must dispense it at the public charge.

This object may be obtained, by the establishment of primary schools, of reading, writing, and arithmetic. These are the groundwork of all knowledge, and are quite sufficient for the civilization of the lower classes. In fact, one cannot call a nation civilized, nor, consequently, possessed of the benefits of civilization, until the people at large be instructed in these three particulars: till then it will be but partially reclaimed from barbarism. With the help of these advantages alone, it may safely be affirmed, that no transcendent genius or superior mind will long remain in obscurity, or be prevented from displaying itself to the infinite benefit of the community. The faculty of reading alone will, for a few *sous*, put a man in possession of all that eminent men have said or done in the line, to which the bent of genius impels. Nor should the female part of



the creation be shut out from this elementary education; for the public is equally interested in their civilization; and they are indeed the first, and often the only teachers of the rising generation.

It would be the more unpardonable in governments to neglect the business of education, and abandon to their present ignorance the great majority of the population in those nations of Europe, that pretend to the character of refinement and civilization, now that the improved methods of mutual instruction, that have been tried with such complete success, afford a ready and most economical means of universally diffusing knowledge amongst the inferior classes.\*

\* According to the new method, introduced by Lancaster, and perfected by subsequent teachers, a single master, with very little aid of books, pens, or paper, can rapidly and effectually teach reading, writing, and vulgar arithmetic, to five or six hundred scholars at a time. This truly economical result is produced, by taking advantage of the slightest superiority of intelligence of one above another, and directing the motive of emulation, natural to the human breast, towards an useful object. A large school is commonly divided into forms, consisting each of eight children, as nearly equal in advancement as possible, and instructed by a child somewhat more advanced, called, the monitor. These forms again are divided into eight classes; of which the lowest learns to pronounce the letters of the alphabet, and to trace their figures rudely with the finger upon sand spread out upon a flat board; and the highest is able to write on paper, and to practice the four rules of arithmetic. The children of each form are ranged according to their progress; and whoever cannot give the answer, is immediately superseded by a more apt scholar. As soon as a child is perfected in one class, he is transferred to the next in degree. The lessons are received,

Thus, none but elementary and abstract science, — the highest and the lowest branches of knowledge, are so much less favored in the natural course of things, and so little stimulated by the competition of demand, as to require the aid of that authority, which is created purposely to watch over the public interests. Not that individuals have no interest in the support and promotion of these, as well as of the other, branches of knowledge; but they have not so direct an interest, — the loss occasioned by their disappearance is neither so immediate nor so perceptible; a flourishing empire might retrograde, until it reached the confines of barbarism, before individuals had observed the operating cause of its decline.

I would not be understood to find fault with public establishments for purposes of education, in other branches than those I have been describing. I am only endeavouring to show, in what branches a nation may wisely, and with due regard

received, sometimes in a sitting posture, and sometimes upright, with slates affixed to the walls. The instruction is thus always accommodated to the age and faculties of the child; it necessarily arrests and rewards his attention; and involves that personal activity, essential to the infant frame. The whole is conducted in a single apartment, and usually under the superintendance of a single master or mistress. The general adoption of this method will probably be for some time opposed by custom and prejudice; but its utility and conformity to the order of nature will ensure its ultimate and universal prevalence.

to its own interest, défray the charge out of the public purse. Every diffusion of such knowledge, as is founded upon fact and experience, and does not proceed upon dogmatical opinions and assertions, every kind of instruction, that tends to improve the taste and understanding, is a positive good; and, consequently, an institution calculated to diffuse it must be beneficial. But care must be taken, that encouragement of one branch shall not operate to discourage another. This is the general mischief of premiums awarded by the public; a private teacher or institution will not be adequately paid, where the same kind of instruction is to be had for nothing, though perhaps, from inferior teachers. There is, therefore, some danger, that talent may be superseded by mediocrity; and a check be given to private exertions, from which the resources of the state may expect incalculable benefit.

The only important science, which seems to me not susceptible of being taught at the public charge, is that of moral philosophy, which may be considered as either experimental or doctrinal. The former consists in the knowledge of moral qualities, and of the chain of connection between events dependent upon human will; and forms indeed a part of the study of man, which is best pursued by social converse and intercourse. The latter is a series of maxims and precepts, possessing very little influence upon human conduct, which is best guided in the relations of public

and of private life, by the operation of good laws, of good education, and of good example.\*

The sole encouragement to virtue and good conduct, that can be relied on, is, the interest that every body has in discovering and employing no persons but those of good character. Men the most independent in their circumstances want something more to make them happy; that is to say, the general esteem and good opinion of their fellow-creatures: and these can only be acquired by putting on the appearance at least of estimable qualities, which it is much easier to acquire than to simulate. The influence of the sovereign or ruling body, upon the manners of the nation, is very extensive, because it employs a vast number of people; but it operates less beneficially than that of individuals, because it is less interested in employing none but persons of integrity. If to its luke-warmness in this particular be added, the example of immorality and contempt for honesty and economy too frequently held out to the people by their rulers, the corruption of national morals

\* I am strongly disposed to say the same of logic. Were nothing taught, but what is consistent with truth and good sense, logic would follow of itself as a matter of course: all the teaching in the world will never make a man a good reasoner, whose notions and ideas of things are unsound and erroneous; and, with the foundation of just notions, he will require no teaching to make him reason well. Just ideas of things are only to be acquired by attentive examination; by taking account of every particular concerning them, and of nothing but what concerns them; which is the object of all knowledge in general, and by no means of logic alone.

will be wonderfully accelerated.\* But a nation may be rescued from moral degradation by the re-action of opposite causes. Colonies are, for the most part, composed of by no means the most estimable classes of the mother-country: in a very short time, however, when the hopes of return are wholly abandoned, and the settlers have made up their minds to pass the rest of their lives in their new abode, they gradually feel the necessity of conciliating the esteem of their fellow-citizens, and the morals of the colony improve rapidly. By morals, I mean, the general course of human conduct and behaviour.

These are the causes, that have a positive influence upon national morality. To these must be added, the effect of education in general, in opening the eyes of mankind to their real interests, and softening the temper and disposition. As to preaching and expounding the prospects of a future state of existence, the experience of ages has demonstrated their inefficacy.

Religious instruction ought, strictly speaking, to be defrayed by the respective religious communions and societies, each of which regards the opinions of the rest as heretical, and naturally revolts at the injustice of contributing to the pro-

\* The bad example of a vicious prince is of the most fatal tendency; it is notorious to all the world, and protected and abetted by public authority: and it is sure to be reflected by the subservience of courtiers to the extreme point of imitative servility.

pagation of what it deems erroneous, if not criminal. (*f*)

*Of the Charges of Public Benevolent Institutions.*

It has been much debated, whether individual distress has any title to public relief. I should say none, except inasmuch as it is an unavoidable consequence of existing social institutions. If infirmity and want be the effect of the social system, they have a title to public relief; provided always, that it be shewn, that the same system affords no means of prevention or cure. But it would be foreign to the matter to discuss the question of right in this place. All we need do is, to consider benevolent institutions with regard to their nature and consequences.

When a community establishes at the public charge any institution for benevolent purposes, it

---

(*f*) These considerations would lead to the much-agitated question, of the justice and expediency of a national church, which it would be tedious to enlarge upon. Suffice it to say, that, in like manner as the improving morality of a nation makes the duties of civil government gradually less voluminous and requisite; so its improving knowledge renders the lessons of the pulpit less efficacious and less necessary. Wherefore, it should seem, that the clerical body, being thus eased of great part of their labours, should be made available to the state for other purposes; as for that of diffusing and perpetuating primary instruction, and the like; or should be reduced in numbers and emolument, in proportion to the reduction of their utility. For a national church, as before observed, is a mere civil institution. T.

forms a kind of saving-bank, to which every member contributes a proportion of his revenue, to entitle him to claim a benefit, in the event of accident or misfortune. The wealthy are generally impressed with an idea, that they shall never stand in need of public charitable relief; but a little less confidence would become them better. No man can reckon in his own case upon the continuance of good fortune, with as much certainty as upon the permanence of his wants and infirmities: the former may desert him; but the latter are inseparable companions. It is enough to know, that good fortune is not inexhaustible, to infuse an apprehension, that it may some day or other be exhausted: one has but to look round, and this apprehension will be confirmed by the experience of numbers, whose misfortunes were to themselves quite unexpected.

Hospitals for the sick, alms-houses, and asylums for old age and infancy, inasmuch as they partially relieve the poorer classes from the charge of maintaining those, who are naturally dependent on them, and thereby allow population to advance somewhat more rapidly, have a natural tendency a little to depress the wages of labour. That depression would be greater still, if such establishments should be so multiplied, as to take in all the sick, aged, and infants of those classes, who would then have none but themselves to provide for out of their wages. If they were entirely done away, there would be some rise of wages, although not sufficient to maintain so large a labouring popu-

lation, as may be kept up with their help ; for the demand for their labour would be somewhat reduced by the advance of its price.

From these two extreme suppositions, we may judge of the effect of those efforts to relieve indigence, which all nations have made in some degree or other ; and see the reason, why the distress and relief go on increasing together, although not exactly in the same ratio.

Most nations preserve a middle course between the two extremes, affording public relief to a part only of those, who are helpless from age, infancy, or casual sickness. Of the rest they endeavour to rid themselves in one of two ways ; either by requiring certain qualifications in the applicants, whether of age, of specific disease, or, perhaps, of mere interest and favoritism ; or by limiting narrowly the extent of the relief afforded, giving it upon hard terms to the applicants, or attaching some degree of shame to the acceptance. \*

It is a distressing reflection, that there are no other methods of confining the number of applicants for relief within the means available to the community, except the offer of hard conditions, or

\* At Paris, the limitation of relief afforded by the *Hospice des Incurables*, and those of *Petites-Maisons*, of *St. Louis*, of *Charité*, and many others, is of the former kind ; the admissions to the *Hotel-Dieu*, *Bicêtre*, *Salpêtrière*, and *Enfants-Trouvés*, are subject to a limitation of the latter kind. As the number of applicants duly qualified for admission in the establishment first mentioned always exceeds their capacity, the choice must ultimately be decided by favor or interest.



the want of a patron. It were to be desired, that asylums of the more comfortable class, instead of favoritism, should be open to unmerited misfortune only; and that, to prevent improper nominations, the pretensions of the candidate should be ascertained by the inquest of a jury. The rest can probably be protected from too great an influx of indigence, by no other means consistent with humanity, except the observance of severe, though impartial, discipline, sufficient to invest them with some degree of terror.

This evil does not apply to the asylums devoted to invalid soldiers and sailors. The qualification is so plain and intelligible, that the doors ought to be shut against none who are possessed of it; and the comforts of the institution can never increase the number of applicants. Their being nursed in the public asylums with the same domestic care and comfort, as are to be found in the homes of persons of the same class in life, and indulged in repose, and some even of the whims of old age, will undoubtedly somewhat enhance the charge; that is to say, so far as it might prolong lives, that otherwise might fall a sacrifice to wretchedness; but this is the utmost increase of charge; and it is one, that neither patriotism nor humanity will grudge. \*

\* Yet it is well worth consideration, whether it be not more to the advantage, both of the state and of its pensioners, to maintain them at their own homes upon a fixed income, or to board them out with individuals. The *Abbé de St. Pierre*, whose mind was ever actively at work for the public good, has

The houses of Industry, that are multiplying so rapidly in America, Holland, Germany, and France, are noble and excellent institutions of public benevolence. They are designed to provide all persons of sound health with work according to their respective capacities: some of them are open to any workman out of employ, that chooses to apply; others are a kind of houses of correction, where vagrants, beggars, and offenders, are kept to work for fixed periods. Convicts have sometimes been set to hard labour in their respective vocations, during their confinement; whereby the public has been wholly or partially relieved from the charge of keeping up gaols, and a method contrived for reforming the morals of the criminals, and rendering them a blessing, instead of a curse, to society. (g)

estimated the charge of maintaining the Invalids in their sumptuous establishment at Paris, to be three times as much as that of their maintenance at their respective homes. *Annales Polit.* p. 209.

---

(g) Establishments of this kind may prove beneficial, wherever human labour is highly valuable, as in America; but they can never answer, where the population is dense, and the wages of labour limited to bare subsistence. However laudable the attempt to reform criminals, modern philanthropists should pay some little regard to the comforts of the innocent and industrious, whom it is the grossest injustice to tax, for the experimental reformation of the worthless. According to the present practice of England, a convict, sentenced to hard labour, is better clothed, lodged, and otherwise provided, than the great majority of deserving labourers; and his support is at least three or four times more expensive. Besides, the productive

Indeed, such establishments can hardly be reckoned among the items of public charge; for, the moment their production equals their consumption, they are no longer an incumbrance to any body. They are of immense benefit in a dense population, where, amidst the vast variety of occupations, some must unavoidably be in a state of temporary inaction. The perpetual shiftings of commerce, the introduction of new processes, the withdrawing of capital from a productive concern, accidental fire, or other calamity, may throw numbers out of employment; and the most deserving individual may, without any fault of his own, be reduced to the extreme of want. In these institutions, he is sure of earning at least a subsistence, if not in his own line, in one of a similar description.

The grand obstacle to such establishments is, the great outlay of capital they require. They are adventures of industry, and as such must be provided with a variety of tools, implements, and machines, besides raw material of different kinds to work upon. Before they can be said to main-

---

tive employment of criminals in a pre-occupied branch of industry, is sure to injure those before engaged in it; for the products of labour maintained by the public must, in the ordinary course of things, always undersell those of labour maintained by its own earnings. The recent calamitous experience of Great Britain has served most strongly to confirm the truth of the general position, that the labouring classes are always best provided, when they have no resource whatever, but in their own exertions and forethought. T.

tain themselves, they must earn enough to pay the interest of the capital embarked, as well as their current expenses.

The favor shown them by the public authority, in the gratuitous supply of the capital and buildings, and in many other particulars, would make them interfere with private undertakings, were they not subject, on the other hand, to some peculiar disadvantages. They are obliged to confine their operations to such kinds of work, as sort with the feebleness and general inferiority in skill of the inmates, and cannot direct them to such as may be most in demand. Moreover, it is in most of them a matter of regulation and police, to lay by always the third or fourth-part of the labourer's wages or earnings, as a capital to set him up, on his quitting the establishment : this is an excellent precaution, but prevents their working at such cheap rates, as to drive all competition out of the market. (*h*)

Although the honor, attached to the direction and management of institutions of public benevolence, will generally attract the gratuitous service of the affluent and respectable part of the community, yet, when the duties become numerous and laborious, they are commonly discharged by gratuitous administrators with the most unfeeling negligence. It was probably by no means wise, to subject all the hospitals of Paris to a general

---

(*h*) Not where the establishment does not pay its expenses and interest. T.

superintendance. At London, each hospital is separately administered; and the whole are managed with more economy and attention in consequence. A laudable emulation is thereby excited amongst the managers of rival establishments; which affords an additional proof of the practicability and benefit of competition in the business of public administration.

*Of the Charges of Public Edifices and Works.*

I shall not here attempt to enumerate the great variety of works requisite for the use of the public; but merely lay down some general rules, for calculating their cost to the nation. It is often impossible to estimate with any tolerable accuracy the public benefit derived from them. How is one to calculate the utility, that is to say, the pleasure, which the inhabitants of a city derive from a public terrace or promenade. It is a positive benefit to have, within an easy distance of the close and crowded streets of a populous town, some place where the population can breathe a pure and wholesome atmosphere, and take health and exercise, under the shade of a grove, or with a verdant prospect before the eye; and where school-boys can spend their hours of recreation; yet this advantage it would be impossible to set a precise value upon.

The amount of its cost, however, may be ascertained or estimated. The cost of every public work or construction consists: —

1. Of the rent of the surface whereon it is

erected; which rent amounts to what a tenant would give for it to the proprietor.

2. Of the interest of the capital expended in the erection.

3. Of the annual charge of maintenance.

Sometimes, one or more of these items may be curtailed. When the soil, whereon a public work is erected, will fetch nothing from either a purchaser or a tenant, the public will be charged with nothing in the nature of rent; for no rent could be got if the spot had never been built on. A bridge, for instance, costs nothing but the interest of the capital expended in its construction, and the annual charge of keeping it in repair. If it be suffered to fall into decay, the public consumes, annually, the agency of the capital vested, reckoned in the shape of interest on the sum expended, and, gradually, the capital itself, into the bargain; for, as soon as the bridge ceases to be passable, not only is the agency or rent of the capital lost, but the capital is gone likewise.

Supposing one of the dikes in Holland to have cost in the outset 100,000 *fr.*; the annual charge on the score of interest, at 5 per cent., will be 5000 *fr.*; and, if it cost 3000 *fr.* more in the keeping it up, the total annual charge will be 8000 *fr.*

The same mode of reckoning may be applied to roads and canals. If a road be broader than necessary, there is annually a loss of the rent of all the superfluous land it occupies, and besides, of all the additional charge of repair. Many of

the roads out of Paris are 180 feet wide, including the unpaved part on each side ; whereas, a breadth of 60 feet would be full wide for all useful purposes, and would be quite magnificent enough, even for the approaches to a great metropolis. The surplus is only so much useless splendor ; indeed, I hardly know how to call it so ; for the narrow pavement in the centre of a broad road, the two sides of which are impassable the greater part of the year, is an equal imputation upon the liberality, and upon the good sense and taste of the nation. It gives a disagreeable sensation, to see so much loss of space, more particularly if it be badly kept. It appears like a wish to have magnificent roads, without having the means of keeping them uniform and in good condition ; like the palaces of the Italian nobles, that never feel the effects of the broom.

Be it as it may, on the sides of the roads I am speaking of, there is a space of 120 feet, that might be restored to cultivation ; that is to say, 50 *arpens* to the ordinary league. Add together the rent of the surplus land, the interest of the sum expended in the first cost and preparation, and the annual charge of keeping up the unnecessary space, which is something, badly as it is kept up ; you will then ascertain the sum France pays annually for the very questionable honor of having roads too wide, by more than the half, leading to streets too narrow, by three-fourths. \*

\* With all this waste of space in the great roads of France, there are in none of them either paved or gravelled foot-ways, passable

Roads and canals are costly public works, even in countries where they are under judicious and economical management. Yet, probably, in most cases, the benefits they afford to the community far exceed the charges. Of this the reader may be convinced, on reference to what has been said above, of the value generated by the mere commercial operation of transfer from one spot to another \*, and of the general rule, that every saving in the charges of production is so much gain to the consumer. † Were we to calculate, what would be the charge of carriage upon all the articles and commodities, that now pass along any road in the course of a year, if the road did not exist, and compare it with the utmost charge under present circumstances, the whole difference, that would appear, will be so much gain to the consumers of all those articles, and so much positive and clear net profit to the community. ‡

passable at seasons, or stone seats, for the passengers to rest upon, or places of temporary shelter from the weather, or cisterns to quench the thirst; all which might be added with a very trifling expense.

\* Book I. chap. 9.

† Book II. chap. 3.

‡ To say, that, if the road were not in existence, the charge of transport could never be so enormous as here suggested, because the transport would never take place at all, and people would contrive to do without the objects of transport, would be a strange way of eluding the argument. Self-denial of this kind, enforced by the want of means to purchase, is an instance of poverty, not of wealth. The poverty of the consumer is extreme, in respect to every object he is thus made too poor to purchase; and he becomes richer in respect to it, in proportion as its price or value declines.



Canals are still more beneficial; for in them the saving of carriage is still more considerable. \*

Public works, of no utility, such as palaces, triumphal arches, monumental columns, and the like, are items of national luxury. They are equally indefensible, with instances of private prodigality. The unsatisfactory gratification, afforded by them to the vanity of the prince or the people, by no means balances the cost, and often the misery, they have occasioned.

\* In lieu of canals, iron rail-roads from one town to another, will probably be one day constructed. The saving in the costs of transport would probably exceed the interest of the very heavy expense in the outset. Besides the additional facility of movement, roads of this kind would remedy the violent jolting of passengers and goods. Undertakings of such magnitude can only be prosecuted in countries, where capital is very abundant, and where the government inspires the adventurers with a firm assurance, of reaping themselves the profit of the adventure.

## CHAP. VII.

## OF THE ACTUAL CONTRIBUTORS TO PUBLIC CONSUMPTION.

A PORTION of the objects of public consumption have, in some very rare instances, been provided by a private individual. We see occasional acts of private munificence, in the erection of a hospital, the laying out of a road, or of public gardens, upon the land, and at the cost, of an individual. In antient times, examples of this kind were more frequent, though much less meritorious. The private opulence of the antients was commonly the fruit of domestic, or provincial, plunder and peculation, or perhaps the spoil of a hostile nation, purchased with the blood of fellow citizens. Among the moderns, though such excesses do sometimes occur, individual wealth is, in the great majority of cases, the fruit of personal industry and economy. In England, where there are so many institutions founded and supported by private funds, most of the fortunes of the founders and supporters have been acquired in industrious occupations. It requires a greater exertion of generosity to sacrifice wealth, acquired by a long course of toil and self-denial, than to give away

what has been obtained by a stroke of good fortune, or even by an act of lucky temerity.

Among the Romans, a further portion of the public consumption was supplied directly by the vanquished nations, who were subjected to a tribute, which the victors consumed.

In most modern states (*a*), there is some territorial property vested, either in the nation at large, or in the subordinate communities, cities, towns, and villages, which is leased out, or occupied directly by the public. In France, most of the public lands of tillage and pasturage, with their appurtenances, are let out on lease; the government reserving only the national forests under the direct administration of its agents. The produce of the whole forms a considerable item in the catalogue of public resources.

But these resources consist for the most part of the produce of taxes, levied upon the subjects, or citizens. These taxes are sometimes national; *i. e.* levied upon the whole nation, and paid into the general treasury of the state, whence the public national expenditure is defrayed; and sometimes local, or provincial, *i. e.* levied upon the inhabitants of a separate canton, or province only, and paid into the local treasury, whence are defrayed the local expenses.

It is a principle of equity, that consumption should be charged to those, who derive gratifica-

---

(*a*) And in most of those of antiquity. T.

tion from it : consequently, those countries must be pronounced to be the best governed, in respect of taxation, where each class of inhabitants contributes in taxation proportionately to the benefit derived by it from the expenditure.

Every individual and class in the community is benefited by the central administration, or, in other words, the general government : so likewise of the security afforded by the national military establishment ; for the provinces can hardly be secure from external attack, if the enemy have possession of the metropolis, and can thence overawe and control them ; imposing laws upon districts where his force has not penetrated, and disposing of the lives and property, even of such as have not seen the face of an enemy. For the same reason, the charge of fortresses, arsenals, and diplomatic agents is properly thrown upon the whole community.

It would seem, that the administration of justice should be classed among the general charges although the security and advantage it affords have more of a local character. When the magistracy of Bourdeaux arrests and tries an offender, the public internal security of France is unquestionably promoted. The charge of gaols and court-houses necessarily follows that of the magistracy. Smith has expressed an opinion, that civil justice should be defrayed by the litigating parties ; which would be more practicable than at present, were the judges in the appointment of the parties in each particular case, and no otherwise in the nomination

of the public authority, than inasmuch as the choice might be limited to specified persons of approved knowledge and integrity. They would then be arbitrators and a sort of equitable jurors, and might be paid proportionately to the matter in dispute, without regard to the length of the suit; and would thus have an obvious interest in simplifying the process, and sparing their own time and trouble, as well as in attracting business by the general equity of their decisions. (*b*)

But local administration and local institutions of utility, pleasure, instruction, or beneficence, appear to yield a benefit exclusively to the place or district where they are situated. Wherefore, it

---

(*b*) Our author seems in this passage to have become a convert to the opinion of Smith, in respect to the civil tribunals of a nation, from which he had expressed his dissent, in former editions. Though arbitration may be a very good mode of settling civil suits, where the parties are both anxious to come to a settlement, and indeed is frequently resorted to, and should always be encouraged; yet it is manifest, that there must be a compulsory tribunal for the obstinate, or refractory. And, since security of person and property is the main object of social institutions, it is but just, that invasion in a particular instance should be repelled and deterred at the public charge. In strict justice, the invader should be held to make good the whole damage; and so he is or ought to be, in the shape of costs, fine, damages, or otherwise. But it is not consistent with equity, that the sufferer should be deterred from pursuing his claim, by superadding a proportion of the outlay upon the judicial establishment to the charge of witnesses and agents, which he must necessarily advance, and to the risk of inability in the delinquent, even in the event of ultimate success. T.

it should seem, that their expenses ought to fall, as in most countries they do, upon the local population. Not but that the nation at large derives some benefit from good provincial administration, or institutions. A stranger has access to the public places, libraries, schools, walks, and hospitals of the district; but the principal benefit unquestionably results to the immediate neighbourhood.

It is good economy to leave the administration of the local receipts and disbursements to the local authorities; particularly where they are appointed by those, whose funds they administer. There is much less waste, when the money is spent under the eye of those, who contribute it, and who are to reap the benefit; besides, the expense is better proportioned to the advantage expected. When one passes through a city or town badly paved and ill-conditioned, or sees a canal or harbour in a state of dilapidation, one may conclude, in nine cases out of ten, that the authorities, who are to administer the funds appropriated to those objects, do not reside on the spot.

In this particular, small states have an advantage over more extensive ones. They have more enjoyment from a less expenditure upon objects of public utility or amusement; because they are at hand to see, that the funds, destined to the object, are faithfully applied.

## CHAP. VIII.

## OF TAXATION. (a)

## SECT. I.

*Of the Effect of all Kinds of Taxation in general.*

TAXATION is the transfer of a portion of the national products from the hands of individuals to those of the government, for the purpose of meeting the public consumption or expenditure. Whatever be the denomination it bears, whether tax, contribution, duty, excise, custom, aid, subsidy \*, grant, or free gift, it is virtually a burthen

\* What avails it, for instance, that taxation is imposed by consent of the people or their representatives, if there exist in the state a power, that by its acts can leave the people no alternative but consent? *De Lolme*, in his *Essay on the English Constitution*, says, that the right of the Crown to make war is nugatory, while the people have the right of refusing the supplies for carrying it on. May it not be said, with much more

---

(a) *L'Impôt*, expressed in English by the general term, *taxation*, as distinguished from *impôt, tax*, the particular term. T.

imposed upon individuals, either in a separate or a corporate character, by the ruling power for the time being, for the purpose of supplying the consumption it may think proper to make at their expense; in short, an impost, in the literal sense.

It would be foreign to the plan of this work, to enquire in whom the right of taxation is or ought to be vested. In the science of political economy, taxation must be considered as matter of fact, and not of right; and nothing further is to be regarded, than its nature, the source whence it derives the values it absorbs, and its effect upon national and individual interests. The province of this science extends no further.

The object of taxation is, not the actual commodity, but the value of the commodity, given by the tax-payer to the tax-gatherer. Its being paid in silver, in goods, or in personal service, is a mere accidental circumstance, which may be more or less advantageous to the subject or to the sovereign. The essential point is, the

more truth, that the right of the people to deny the supplies is nugatory, when the crown has involved them in a predicament, that makes consent a matter of necessity? The liberties of Great Britain have no real security, except in the freedom of the press; which rests itself, rather upon the habits and opinions of the nation, than upon legal enactments or judicial decisions. A nation is free, when it is bent on freedom; and the most formidable obstacle to the establishment of civil liberty is, the absence of the desire for it.



value (*b*) of the silver, the goods, or the service. The moment that value is parted with by the taxpayer, it is positively lost to him; the moment it is consumed by the government or its agents, it is lost to all the world, and never reverts to, or re-exists in, society. This, I apprehend, has already been demonstrated, when the general effect of public consumption was under consideration. It was there shown, that, however the money levied by taxation may be refunded to the nation, its value never is refunded; because it is never returned gratuitously, or refunded by the public functionaries, without receiving an equivalent in the way of barter or exchange.

The same causes, that we have found to make unproductive consumption no-wise favorable to reproduction, prevent taxation from at all promoting it. Taxation deprives the producer of a product, which he would otherwise have the option of deriving a personal gratification from, if consumed unproductively, or of turning to profit, if he

---

(*b*) This is a recurrence to a mere refinement before observed upon; the material point is, not the value, but the object of value or estimation. A nation requires the service of a functionary, not the value of that service; it requires a ship of war, not its value; but these things are neither of them attainable, except by the offer of an object of equivalent value or estimation. Undoubtedly, it is important to the community, that the object required should be of the least possible value: why? because then it is of most easy acquisition. But the essential point is, what object is requisite? The value of the object is a mere matter of comparison. T.

preferred to devote it to an useful employment. One product is a means of raising another; and, therefore, the subtraction of a product must needs diminish, instead of augmenting, productive power.

It may be urged, that the pressure of taxation impels the productive classes to redouble their exertions, and thus tends to enlarge the national production. I answer, that, in the first place, mere exertion cannot alone produce; there must be capital for it to work upon, and capital is but an accumulation of the very products, that taxation takes from the subject: that, in the second place, it is evident, that the values, which industry creates expressly to satisfy the demands of taxation, are no increase of wealth; for they are seized on and devoured by taxation. It is a glaring absurdity to pretend, that taxation contributes to national wealth, by engrossing part of the national produce; and enriches the nation by consuming part of its wealth. Indeed, it would be trifling with my reader's time, to notice such a fallacy, did not most governments act upon this principle, and had not well-intentioned and scientific writers endeavoured to support and establish it. \*

\* By the same reasoning it has been attempted to prove, that luxury and barren consumption operate as a stimulus to production. Yet, they are less mischievous than taxation; inasmuch as they redound to the personal gratification of the party himself: whereas, to use the expedient of taxation as a stimulative to increased production, is to redouble the exertions of the community, for the sole purpose of multiplying  
its

If, from the circumstance, that the nations most grievously taxed are those most abounding in wealth, as Great Britain for example, we are desired to infer, that their superior wealth arises from their heavier taxation, it would be a manifest inversion of cause and effect. A man is not rich, because he pays largely; but he is able to pay largely, because he is rich. It would be not a little ridiculous, if a man should think to enrich himself by spending largely, because he sees a rich neighbour doing so. It must be clear, that the rich man spends, because he is rich; but never can enrich himself by the act of spending. (c)

its privations, rather than its enjoyments. For, if increased taxation be applied to the support of a complex, overgrown, and ostentatious internal administration, or of a superfluous and disproportionate military establishment, that may act as a drain of individual wealth, and of the flower of the national youth, and an aggressor upon the peace and happiness of domestic life, will not this be paying as dearly for a grievous public nuisance, as if it were a benefit of the first magnitude?

---

(c) Notwithstanding our author's arguments, it is most certain, that taxation may, and often does, operate as a stimulus to productive exertion. It has been already observed, that the motive of human exertion is two-fold; the hope of enjoyment, and the fear of suffering; whereof the former is unquestionably the more powerful, and is alone competent to carry industry to its utmost pitch. But, though the latter is less efficient, it is yet a stimulus; it is the actual stimulus to negro and all slave-labour, to which the exertion of industry under the pressure of taxation may be aptly enough compared. Nor is it true to the

Cause and effect are easily distinguished, when they occur in succession; but are often con-

---

the full extent, that the subtraction of a product *pro tanto* disables the party, from whom it is taken, to go on with production. For, although a means of ulterior *material*, a material product is often wholly unnecessary to further *immaterial*, production; and it is this latter, which is the grand object of public requisition, according to our author's own shewing. For instance, a person has by his exertion secured to himself the objects of subsistence, corn, potatoes, or as the case may be: and here he may, perhaps, be inclined to stop, feeling no sufficient desire to prompt a further exertion in quest of superfluities. In steps the public authority, and takes a portion of his acquired stock; thereby compelling him to exert himself to make good the deficiency. Possibly, authority may offer him his own back again, if he will but afford his personal agency for a public purpose; as, in the character of constable, jurymen, militia-man, surveyor of roads, or the like; and this occurs very frequently in practice, both directly or indirectly. Here, then, is an instance of immaterial production, stimulated by the pressure of taxation. Besides, although a product is a means, it is not the source, of further material production: the primary source, nature, and the secondary source, industry, may both remain unimpaired by taxation, which may create a necessity of turning them to ampler account.

Thus, taxation may operate as a stimulus to productive activity, though it is one far less powerful, than the prospect of personal enjoyment, as well as far less just and equitable. Nor is it necessary to notice the instances of abuse cited in the text, further than to remark, that every human institution, even those of the most useful kind, may be perverted to a nugatory, or a mischievous purpose. A national church, instituted to promote the knowledge of truth and virtue, may be perverted to the propagation of vice and error; and the proceeds of taxation may be diverted from the maintenance of an overgrown establishment, or of military pageantry, to works  
of

founded, when the operation is continuous and simultaneous.

Hence, it is manifest, that, although taxation may be, and often is, productive of good, when the sums it absorbs are properly applied, yet, the act of levying is always attended with mischief in the outset. And this mischief good princes and governments have always endeavoured to render as inconsiderable to their subjects as possible, by the practice of economy, and by levying, not to the full extent of the people's ability, but to such extent only, as is absolutely unavoidable. That rigid economy is the rarest of princely virtues, is owing to the circumstance of the throne being constantly beset with individuals, who are interested in the absence of it; and who are always endeavouring, by the most specious reasoning, to impress the conviction, that magnificence is conducive to public prosperity, and that profuse public expenditure is beneficial to the state. It is the object of this third book to expose the absurdities of such representations.

Others there are, who are not impudent enough to pretend, that public profusion is a public benefit; yet undertake to shew by arithmetical deduction, that the people are scarcely burthened at all, and

---

of real and permanent utility. Taxation is doubtless a certain and positive evil in the outset; and so is the lash of the negro-driver: yet, it is incorrect to deny its stimulative effect upon industry; though highly proper to suggest a more just and powerful stimulant. T.

are equal to a much higher scale of taxation. As Sully tells us in his *Memoirs*, ‘The ear of the prince is assailed by a set of flattering advisers, who think to make their court to him by perpetually suggesting new ways of raising money; discharged functionaries for the most part, whose experience of the sweets of office has left no other impression, than the tincture of the baneful art of fiscal extortion; and who seek to recommend themselves to power and favor, by commending it to the lips of royalty.’ \*

Others suggest financial projects, and ways and means for filling the coffers of the prince, as they assert, without fleecing the subject. But no plan of finance can give to the government, without taking either from the people, or from the government itself in some other way; unless it be a downright adventure of industry. Something cannot be produced out of nothing by a mere touch of the wand. However an operation may be cloaked in mystery, however often we may twist and turn and transform values, there are but two ways of obtaining them; viz. creating oneself, or taking from others. The best scheme of finance is, to spend as little as possible; and the best tax is always the lightest.

Admitting these premises, that taxation is the taking from individuals a part of their property †

\* *Memoires*, liv. xx.

† It is hardly necessary to controvert an opinion, entertained by sovereigns in times past, respecting the property of their subjects. We find Louis XIV. writing in these terms, professedly

for public purposes ; that the value levied by taxation never reverts to the members of the community, after it has once been taken from them ; and that taxation is not itself a means of reproduction ; it is impossible to deny the conclusion, that the best taxes, or, rather those that are least bad, are

1. Such as are the most moderate in their ratio.

2. Such as are least attended with those vexatious circumstances, that harass the tax-payer without bringing any thing into the public exchequer.

3. Such as press impartially on all classes.

4. Such as are least injurious to reproduction.

5. Such as are rather favorable than otherwise to the national morality ; that is to say, to the prevalence of habits, useful and beneficial to society.

These positions are almost self evident ; yet I shall proceed to illustrate them successively, with some few observations.

1. Of such as are the most moderate in their ratio.

Since taxation does, in point of fact, deprive the tax-payer of a product, which is to him, either a means of personal gratification, or a means of

fessedly for the instruction of his son in matters of government ; ‘ Kings are absolute lords, naturally possessing the entire and uncontrolled disposal of all property, whether belonging to the church or to the laity, to be exercised at all times with due regard to economy, and to the general interests of the state.’ *Œuvres de Louis XIV., Memoires Hist. A.D. 1666.*

reproduction, the lighter the tax is, the less must be the privation.

Taxation, pushed to the extreme, has the lamentable effect, of impoverishing the individual, without enriching the state. We may readily conceive how this can happen, if we recal to our attention the former position; viz. that each taxpayer's consumption, whether productive or not, is always limited to the amount of his revenue. No part of his revenue, therefore, can be taken from him, without necessarily curtailing his consumption in the same ratio. This must needs reduce the demand for all those objects he can no longer consume, and particularly those affected by taxation. The diminution of demand must be followed by diminution of the supply of production; and, consequently, of the articles liable to taxation. Thus, the tax-payer is abridged of his enjoyments, the producer of his profits, and the public exchequer of its receipts. \*

\* In France, before 1789, the average annual consumption of salt was estimated at 9 lbs. per head in the districts subject to the *gabelle*, and at 18 lbs. per head in those exempt from that impost. *De Monthieu, Influence des divers Impôts*, p. 141. Thus, taxation in this form obstructed the production of  $\frac{1}{2}$  of this article in the districts subjected to it, and reduced to  $\frac{1}{2}$  the enjoyment it was capable of affording; to say nothing of the other mischiefs resulting from it; the injury to tillage, to the feeding of cattle, and to the preparation of salted goods; the popular animosity against the collectors of the tax, the consequent increase of crime and conviction, and the consignment to the gallies of numerous individuals, whose industry and courage might have been made available to the increase of national opulence.



This is the reason, why a tax is not productive to the public exchequer, in'proportion to its ratio ;

In 1804, the English government raised the duties on sugar 20 per cent. It might have been expected, that their average product to the public exchequer would have been advanced in the same ratio ; *i. e.* from 2,778,000*l.* the former amount, to 3,330,000*l.*; instead of which the increased duties produced but 2,537,000*l.*; exhibiting an absolute deficit. *Speech* of Henry Brougham, Esq. M. P. March 13. 1817.

The people of Great Britain might consume French wines at a very little advance upon the prices of France, and have the enjoyment of an unadulterated, wholesome, and exhilarating beverage, costing perhaps a shilling a bottle. But the exorbitant duty upon this article has reduced its import and the product of the duty to a very trifle ; and thus, the sole benefit resulting from the tax to the British nation is, the total privation of a cheap and wholesome object of consumption.

The two last examples are a sufficient answer to the objection, taken by Ricardo to this passage of my text ; on the ground, that taxation is not injurious to production in the aggregate, inasmuch as the consumption of the state itself replaces that of individuals, which is annihilated by the tax. (*d*) A tax, that robs the individual, without benefit to the exchequer, substitutes no public consumption whatever, in place of the private consumption it extinguishes.

---

(*d*) The position of Ricardo is applicable to direct taxation upon fixed property only ; *i. e.* upon land, funded securities and incumbrances upon land and other fixed property, of which the proprietor receives the rent or interest without any personal exertion. The whole of this, or any proportion, may be diverted into the public exchequer, without any immediate injury to the business of production ; for it matters little to the operative producer, whether the property reside in the laity, or the church, or the state, provided that the same mode of management be observed. But indirect taxation upon objects of consumption

and why it has become a sort of apophthegm, that two and two do not make four in the arithmetic of finance. Excessive taxation is a kind of suicide, whether laid upon objects of necessity, or upon those of luxury; but there is this distinction, that, in the latter case, it extinguishes only a portion of the products on which it falls, together with the gratification they are calculated to afford; while, in the former, it extinguishes both production and consumption, and the tax-payer himself into the bargain.

Were it not almost self-evident, this principle might be illustrated, by abundant examples of the profit the state derives from a moderate scale of taxation, were it sufficiently awake to its real interests.

When Turgot, in 1775, reduced to  $\frac{1}{2}$  the market-dues and duties of entry upon fresh sea-fish sold in Paris, their product was no-wise diminished. The consumption of that article must, therefore, have doubled, the fishermen and dealers must have

---

sumption is open to the objection stated in the text; viz. that it may impose a privation upon individuals, without any corresponding advantage to the public purse. The limits of fecundity are much sooner reached in the branch of indirect, than in that of direct, taxation; the latter, in so far as it affects the appropriated natural sources of production, has no positive limit, short of the complete and total transfer from the individual to the public. *Vide infra*, Sect. 2. The rule, that 2 and 2 do not make four, does not apply to taxes upon fixed property, or upon actual, existing products, or capital; but only to those on growing products, and on consumption. T.

doubled their concerns and their profits; and, since population always increases with increasing production (*e*), the number of consumers must have been enlarged; and that of producers must have been enlarged likewise; for an increase of profits, that is to say, of individual revenue, multiplies savings, and thus generates the multiplication of capital and of families; and that very increase of production will, beyond all doubt, augment the product of taxation in other branches; to say nothing of the popularity accruing to the government from the alleviation of the national burthens.

The government agents, who farm or administer the collection of the taxes, very often abuse their interest and authority, to construe all doubtful points of fiscal law in their own favor, and sometimes to create obscurity for the purpose of profiting by it. The effect is precisely the same, as if the scale of taxation were raised *pro tanto*. \*

\* Of this a striking instance is given in a work entitled, *Diverses Idées sur la Legislation et l'Administration, par M. C. St. Paul*. One of the principal bankers of Paris having died in 1817, the duty on legacies and inheritance was levied upon the aggregate of his credit-account, and not upon the balance after deducting the debits; and this by virtue of a proviso in the revenue laws, which charges the duty upon the gross estate of a defunct, and not upon the residue after discharge of the outstanding claims. The danger of fraud upon the revenue in stating the account is not sufficient to justify the exaction of more than is fairly due.

The

---

(*e*) *i. e.* Of objects of aliment. T.

Turgot adopted a contrary course, and made it a rule to lean always to the side of the tax-payer. The public contractors made a great outcry at this innovation, declaring that it was impossible for them to fulfil their engagements, and offering to collect on the government account and risk. The event, however, falsified their predictions by an actual increase of the receipts. The greater lenity in the collection proved so advantageous to production, and the consumption consequent upon it, that the profits, which had before not exceeded 10,550,000 *liv.*, rose to 60,000,000 *liv.*; an advance which could hardly be credited, if it were not attested by unquestionable evidence. \*

We are told by Humboldt †, to whom we are indebted for a variety of valuable information, that, in thirteen years from 1778, during which time Spain adopted a somewhat more liberal system of government in regard to her American dependencies, the increase of the revenue in Mexico alone amounted to no less a sum than

The same department is in the habit of giving no notice to the executors or other parties, of the payments falling due, until after the legal time has expired, in the hope of their incurring the penalty of default. The revolution had abolished this official and fiscal severity; but it was revived by the imperial government, and has been acted upon ever since. A clerk or officer has no chance of promotion, unless he shows a disposition on all occasions to postpone the interests of the public to those of the exchequer.

\* *Œuvres de Turgot*, tom. i. p. 170. The accounts of the farmers-general were minutely stated, and rigidly investigated, because the crown participated in their profits.

† *Essai Pol. sur la Nouvelle Espagne*, liv. v. c. 12.

100 millions of dollars; and that she drew from that country, during the same period, an addition, in the single article of silver, to amount of 14,500,000 dollars. We may naturally suppose, that, in those years of prosperity, there was a corresponding, and rather greater increase of individual profits; for that is the source, whence all public revenue is derived.

A similar course of conduct has invariably been followed by a similar effect\*; and it is a great satisfaction to a writer of liberal principles to be able to prove by experience, that moderation is the best policy. †

\* This position is further confirmed by an instance mentioned in a letter, addressed in 1785, by the then Marquis of Lansdowne to the *Abbé Morellet*, stating, ‘that, in respect to the article of tea, the good effect of the reduction of duty had surpassed all expectation. The amount of sale had advanced from 5,000,000 lbs. to 12,000,000 lbs., in spite of many unfavorable circumstances; besides which, smuggling had been so much crippled, that the public revenue had been increased to a degree that astonished every body.’

† This doctrine has been combated by Ricardo, in his *Principles of Political Economy and Taxation*. That writer maintains, that since the amount and the product of industry is always proportionate to the quantum of the capital engaged in it, the extinction of one branch by taxation must needs be compensated by the product of some other, towards which the industry and capital thrown out of employ will naturally be diverted. I answer, that, whenever taxation diverts capital from one mode of employment to another, it annihilates the profits of all who are thrown out of employ by the change, and diminishes those of the rest of the community: for industry may be presumed to have chosen the most profitable channel. I will go further, and say, that a forcible diversion of the current

Upon the same principles, it will be easy to demonstrate in the next place, that the taxes least mischievous are:

2. Such as are least attended with those vexatious circumstances, that harass the tax-payer, without bringing any thing into the public exchequer.

It has been held by many, that the costs of collection are no very great evil, inasmuch as they are refunded to the community in some other shape. On this head, I must refer my readers to what has been already observed.\* These costs are no more refunded, than the net proceeds of the taxes themselves; because both the one and the other consists in reality, not of the money, wherein the taxes are paid, but of the value, wherewith the tax-payer procures that money, and the value which the government again procures with it; which latter is destroyed and consumed outright.

The necessities of princes have operated far more effectually than their regard to the public good,

of production annihilates many additional sources of profit to industry. Besides, it makes a vast difference to the public prosperity, whether the individual or the state be the consumer. A thriving and lucrative branch of industry promotes the creation and accumulation of new capital; whereas, under the pressure of taxation, it ceases to be lucrative; capital diminishes gradually instead of increasing; wealth and production decline in consequence; and prosperity vanishes, leaving behind the pressure of unremitting taxation. Ricardo has endeavoured to introduce the unbending maxims of geometrical demonstration; in the science of political economy, there is no method less worthy of reliance.

\* Chap. V. sect. 1.

to introduce the practice of better order and economy in the financial departments of most European states during the two last centuries, than in former times. The people are generally made to bear as much as they well can stand under; so that every saving in the charge of collection has gone to swell the receipts of the exchequer.

Sully tells us in his *Memoirs*\*, that, for 30,000,000 *liv.*, brought into the royal treasury, in 1598, by means of taxation, individuals were out of pocket 150,000,000 *liv.*; and assures us, that he had with great pains ascertained the fact, however incredible it might appear. Under the administration of Necker, upon a revenue of 557,500,000 *liv.*, the charges of collection amounted to no more than 58,000,000 *liv.*; yet, under his management, there were 250,000 persons employed in the collection; most of them, however, had other collateral occupations. The charge was, therefore, about  $10\frac{4}{5}$  per cent.; yet this is much higher than the rate at which the business is done in England.†

Besides the charge of collection, there are other circumstances, that are burthensome to the people without being productive of gain to the public revenue. Law-suits, imprisonment, and other

\* *Liv. xx.*

† Under the system of Napoleon, which made civilization retrograde in this, as well as in most other particulars, the charges of collection, in which must be included the charge of privation and the irrecoverable arrears, were much more considerable; but the full extent of the mischief he caused is not yet ascertained.

preventive measures, entail additional expense, without procuring the smallest increase of revenue. And this addition is sure to fall on the most necessitous class of tax-payers ; for the other classes pay without litigation or constraint. Such odious means of enforcing the payment of taxes are precisely the same, as demanding of a man 12 *fr.* because he has not wherewithal to pay 10 *fr.* Rigor is never necessary to enforce taxation, where it presses lightly on the resources of individuals ; but, when a state is so unfortunate, as to be obliged to impose heavy burthens, of two evils, the process of levy by distress is preferable to that of personal constraint. For at any rate, by seizing and selling the tax-payer's goods, and thereby raising the arrears of his taxes, he is compelled to pay no more than is due ; and the whole of what he does pay goes into the public purse. (*f*)

On this account it is, that works, executed by the public requisition of labour, as the roads were in France under the old *régime*, are always a mischievous kind of taxation. The time lost by the labourers put in requisition, in coming three or four leagues, perhaps, to their work, and that which is always wasted by people, who get no pay, and work

---

(*f*) Our author has forgotten to allow for the expense of the distress and sale, which, though less than that of a more dilatory legal process, is yet an addition to the burthen of the individual, and not to the income of the state. T.



against their inclination, is all a dead loss to the public, with no return of revenue. Even supposing the work to be well executed, there is often more loss incurred by the interruption of the regular agricultural pursuits, than gain made from the compulsory employment, that has been substituted. Turgot called upon the surveyors and engineers of the respective provinces for an estimate of the average expense, one year with another, of keeping up old roads, and constructing the usual number of new ones, directing them to make their calculations on the most liberal scale. The estimate of the annual expense, made in compliance with his orders, amounted to 10,000,000 *liv.* for the whole kingdom: whereas, according to the calculations of Turgot, the old *corvée* system involved a sacrifice to the nation of 40,000,000 *liv.* \*

Days of rest, enjoined either by law, or by custom and usage too powerful to be infringed upon, are another kind of taxation, productive of nothing to the public purse.

3. Such as press impartially on all classes.

Taxation, being a burthen, must needs weigh lightest on each individual, when it bears upon all alike. When it presses inequitably upon one individual or branch of industry, it is an indirect,

\* Necker reckons the *corvée* at 20 millions only; but probably he takes account of nothing, but the value of the day-labour exacted; and does not notice the injury resulting from this method of supplying the public necessities.

as well as a direct, incumbrance; for it prevents the particular branch or the individual from competing on even terms with the rest. An exemption, granted to one manufacture, has often been the ruin of several others. Favor to one is most commonly injustice to all others.

The partial assessment of taxation is no less prejudicial to the public revenue, than unjust to individual interests. Those, who are too lightly taxed, are not likely to cry out for an increase; and those, who are too heavily taxed, are seldom regular in their payments. The public revenue suffers in both ways.

It has been questioned, whether it be just to tax that portion of revenues, which is spent on luxuries, more heavily than that spent on objects of necessity. It seems but reasonable to do so; for taxation is a sacrifice to the preservation of society, and of social organization, which ought not to be purchased by the destruction of individuals. Yet, the privation of absolute necessaries implies the extinction of existence. It would be somewhat bold to maintain, that a parent is bound in justice to stint the food or clothing of his child, to furnish his contingent to the ostentatious splendor of a court, or the needless magnificence of public edifices. Where is the benefit of social institutions to an individual, whom they rob of an object of positive enjoyment or necessity in actual possession, and offer nothing in return, but the participation in a remote and contingent good, which any man in his senses would reject with disdain?

But, how is the line to be drawn between necessities and superfluities? In this discrimination, there is the greatest difficulty; for the terms, necessities and superfluities, convey no determinate or absolute notion, but always have reference to the time, the place, the age, and the condition of the party; so that, were it laid down as a general rule, to tax none but superfluities, there would be no knowing where to begin, and where to stop. All that we certainly know is, that the income of a person or a family may be so confined, as barely to suffice for existence; and may be augmented from that minimum upwards by imperceptible gradation, till it embrace every gratification of sense, of luxury, or of vanity; each successive gratification being one step further removed from the limits of strict necessity, till at last the extreme of frivolity and caprice is arrived at; so that, if it be desired to tax individual income, in such manner as to press lighter, in proportion as that income approaches to the confines of bare necessity, taxation must not only be equitably apportioned, but must press on revenue with progressive gravity.

In fact, supposing taxation to be exactly proportionate to individual income, a tax of ten per cent. for instance, a family possessed of 300,000 *fr.* per annum would pay 30,000 *fr.* in taxes, leaving a clear residue of 270,000 *fr.* for the family expenditure. With such an expenditure, the family could not only live in abundance, but could still enjoy a vast number of gratifications by no means essential to happiness. Whereas another family,

with an income of 300 *fr.*, reduced by taxation to 270 *fr.* per annum, would, with our present habits of life, and ways of thinking, be stinted in the bare necessities of subsistence. Thus, a tax merely proportionate to individual income would be far from equitable; and this is probably what Smith meant, by declaring it reasonable, that the rich man should contribute to the public expenses, not merely in proportion to the amount of his revenue, but even somewhat more. For my part, I have no hesitation in going further, and saying, that taxation cannot be equitable, unless its ratio is progressive.\*

4. Such as are least injurious to reproduction.

Of the values, whereof taxation deprives in individuals, a great part would, undoubtedly, if left at the disposal of the individuals themselves, have gone to the satisfaction of their wants and appetites; but some part would have been laid by, and have gone to the further accumulation of productive capital. Thus, all taxation may be

\* *Wealth of Nations*, book v. c. 2. It has been objected, that a progressive scale of taxation presents the disadvantage of operating as a penalty to deter activity and frugality from the accumulation of capital. But it must be obvious, that taxation of all kinds subtracts a portion only, and generally a very moderate portion, of the addition made to the fortune of an individual; so that every one has a much stronger inducement to invite, than penalty to deter, accumulation. If a person had to pay 200 *fr.* more in taxes, upon every addition of 1000 *fr.* to his revenue, still he would multiply his enjoyments in a larger ratio than his sacrifices. *Vide* what is said in Sect. 4. of the same Chap. on the subject of the land-tax of England. *Ibid.*

said to injure reproduction, inasmuch as it prevents the accumulation of productive capital.

This effect is more direct and serious, whenever the tax-payer is obliged to withdraw a part of the capital already embarked, for the purpose of enabling him to pay the tax; which case, as Sismondi has shrewdly observed, resembles the exaction of a tithe upon grain at seed-time, instead of harvest-time. Of this kind is the tax on legacies and successions. An heir, succeeding to a property of 100,000 *fr.* and called upon for a tax of 5 per cent. upon it, will pay it, not out of his ordinary income, burthened as it is already with the ordinary taxes, but out of the inheritance, which is thereby reduced to 95,000 *fr.* Wherefore, if it happen to be a vested capital of 100,000 *fr.*, and be reduced by the tax to 95,000 *fr.*, the national capital will be diminished to the amount of the 5000 *fr.* thus diverted into the public exchequer.

It is the same with all taxes upon the transfer of property. The owner of land worth 100,000 *fr.* will get but 95,000 *fr.* for it, if the purchaser be saddled with a tax of 5 per cent. The seller will have a disposable capital of 95,000 *fr.* only, in lieu of land worth 100,000 *fr.*; and the national capital will sustain a loss of the difference. Should the purchaser be so bad an arithmetician, as to pay the full value of the land, without allowing for the tax, he will sacrifice a capital of 105,000 *fr.* in the purchase of value to the amount of but

100,000 *fr.* In either case, the loss to the national capital will be the same; although, in the latter, it will fall upon the purchaser instead of the seller.

Taxes upon transfer, besides the mischief of pressing upon capital, are a clog to the circulation of property. But, has the public any interest in its free circulation? So long as the object is in existence, is it not as well placed in one hand as in another? Certainly not. The public has a perpetual interest in the utmost possible freedom of its circulation; because by that means it is most likely to get into the hands of those, that can make the most of it. Why does one man sell his land? but because he thinks he can lay out the value to more advantage in some channel of productive industry. And why does another buy it? but because he wishes to invest a capital, that is laying idle or less productively vested; or because he thinks it capable of improvement. The transfer tends to augment the national income, because it tends to augment the income of the two contracting parties. If they be deterred by the expenses of the transfer, those expenses will have prevented this probable increase of the national income.

Such taxes, however, as encroach upon the productive capital of the community, and, consequently, abridge the demand for labour and the profits of industry within the community, possess, in a very high degree, one quality, which that distinguished political economist, Arthur Young,

has pronounced to be an essential requisite in taxation; viz. the facility and cheapness of collection.\* Since taxation presents at best but a choice of evils, a nation, heavily burthened, will probably do well, in submitting to a moderate impost upon capital.

Taxes upon law-process, and, generally, all that is paid to law officers and agents, are taxes upon capital. For litigation is not proportionate to the income of the suitors, but to accident, to the complexity of family interests, and to the imperfections of the law itself.

Forfeitures are equally a tax on capital.

The influence of taxation upon production is not confined to the circumstance of diminishing one of its sources, that is to say, capital; it operates besides in the nature of a penalty, inflicted upon certain branches of production and consumption. Patents, licences to follow any specified calling, and, generally, all taxes, that bear directly upon industry, are liable to this objection; but,

---

\* This is the reason, why it has been found practicable to raise the duty on registration to its present high scale. Were it reduced, the product to the exchequer would probably be equally great; and the nation would enjoy the benefit of greater freedom of circulation, besides experiencing less encroachment upon its capital. (g)

(g) The effect on the national capital would be precisely the same; the repeated action of the tax would make up for its lenity. T.

when moderate in their ratio, industry will contrive to surmount such obstacles without much difficulty.

Nor is industry affected only by taxes bearing directly upon it; it is indirectly affected by such also, as bear upon the consumption of the articles it has to work upon.

The products consumed in reproduction are, for the most part, those of primary necessity; and taxes, that discourage such products, must be injurious to reproduction. This is more especially the case in respect to those raw materials of manufacture, which can only be consumed reproductively. An excessive duty upon cotton-wool checks the production of all articles, wherein that substance is worked up. \*

Brazil is a country abounding in articles, that might be cured and exported, if they were allowed to be salted. Its fisheries are very productive, and cattle so abundant, that they are killed merely for the sake of the hide. Indeed, it is thence that

\* In both England and France, premiums are given upon the importation of specific raw materials, with a view to encourage manufacture. This is an error on the opposite side. Upon this principle, instead of a tax on the product of land, a bounty should be given to all, who would take the trouble to cultivate; for domestic agriculture furnishes the raw material of most manufactures; as grain in particular, which is transformed, through the mediation of human exertion, into value of various kinds, exceeding that consumed in the process. Customs or duties of import upon any article whatever are equally equitable with direct taxes upon land; both are positive evils; but the lighter the tax, the smaller the injury.



our tanneries in Europe are in a great measure supplied. But the salt duties prevent the export of either fish or meat; and thus, for the sake of a revenue of a million of *francs* perhaps, incalculable mischief is done to the productive powers of the country, as well as to the public revenue, which they might be made to yield.

In like manner, as taxation operates in the nature of a penalty, to discourage reproductive consumption, it may be employed to check consumption of an unproductive kind; in which case, it has the two-fold advantage, of subtracting no value from reproductive investment, and of rescuing values from unproductive consumption, to be employed in a manner more beneficial to the community. This is the advantage of all taxes upon luxuries. \*

When sums, levied by taxation upon capital, instead of being simply expended by the government, are laid out upon productive objects; or, when individuals contrive to make good the deficiency out of their private savings, the positive mischief of taxation is then balanced by a counteracting benefit. The proceeds of taxation are reproductively vested, when laid out in improving

\* When it is absolutely necessary to lay a tax on a particular kind of consumption, or of industry, which it is desirable not to extinguish altogether, the burthen must be light in the commencement, and increased gradually and cautiously. But, if it be desired to repress or annihilate a mischievous class of consumption or industry, the full weight of the tax should be thrown upon it at once.

the internal communications, constructing harbours, or other such works of utility. Governments sometimes employ a part of the revenue thus realized in adventures of industry. Colbert did so, when he made advances to the manufacturers of Lyons. The governments of Hamburgh, and of some other places in Germany, were in the habit of embarking their revenues in productive undertakings; and it is said, that the authorities of Berne were in the habit of so employing a part of its revenues every year; but such instances are of very rare occurrence.

5. Such as are rather favorable than otherwise to the national morality; that is to say, to the prevalence of habits, useful and beneficial to society.

Taxation influences the habits of a nation, in the same way as it operates upon its production and consumption; viz. by imposing a pecuniary penalty upon specified acts; and it is, moreover, possessed of the grand requisites to render punishment effectual; namely, moderation and difficulty of evasion.\* Without reference, therefore, to the purposes of finance and revenue, it is a powerful engine in the hands of government, for either corrupting or reforming the national morals, and may be directed to the promotion of idleness or industry, extravagance or economy.

The tax of 5 per cent. upon all lands devoted to

\* The efficacy of these characteristics of punishment has been placed beyond all doubt by Beccaria, in his tract, *Dei delitti e delle pene*.

productive husbandry, and the exemption of pleasure-grounds, which existed in France before the revolution, operated, of course, as a premium upon luxury, and a penalty upon agricultural enterprise.

The tax of one per cent. upon the redemption of ground-rents and rent-charges was virtually a penalty upon an act, equally advantageous to the parties and to the community at large; a fine upon the meritorious exertions of prudent land-owners to pay off their incumbrances.

The law of Napoleon, exacting from each scholar, educated in a private academy, a specified payment into the chests of the public universities, operated as a penalty upon that mode of education, which alone can soften national manners, and fully develop the faculties of the human mind. \*

\* This species of tax is still more iniquitous, because it must fall either upon orphans, or upon parents, who are disposed to submit to personal privations, for the purpose of rearing valuable citizens; because it is heavier in proportion to the number of children, and the degree of privation of the parent; and because it is disproportionate to the means of the individual, poor and rich being taxed alike. A parent of moderate fortune, with one son only, pays as much to the university as all the rest of his taxes together: if he have more sons than one, he is still worse off. Thus was this institution converted by the usurper into an instrument of fiscal extortion, sufficient of itself to have ensured the relapse into barbarism, even had it never been made the medium of instilling false ideas or habits of servility. The pretext, of making the profits of private establishments contribute to the expense of compulsory tuition, is by no means satisfactory. Supposing the tuition of the public

When a government derives a profit from the licensing of lotteries and gambling-houses, what does it else, but offer a premium to a vice most fatal to domestic happiness, and destructive of national prosperity? How disgraceful is it, to see a government, thus acting as the pander of irregular desires, and imitating the fraudulent conduct it punishes in others, by holding out to want and avarice the bait of hollow and deceitful chance! \*

*Lycées* to be, of all others, the best calculated to train up useful citizens; and, admitting the justice of compelling a father, or a teacher of his choice, to bring his pupil to the lectures of the authorised professors, still the parties, least in need of this instruction, are those already placed in private establishments of education, and entrusted to teachers of their own selection. It may be for the interest of the community at large, to dispense particular classes of learning gratuitously; but it is the grossest oppression to force learning upon individuals, and make them pay dear for it into the bargain. If any one class in particular ought to defray the charge of moderate gratuitous tuition, it is that, which has no children of its own, and is in the perception of all the benefits of social life, without being subject to all its burthens.

\* Lotteries, and games of hazard, besides occupying capital unprofitably; involve the waste of a vast deal of time, that might be turned to useful account; and this item of expenditure can never redound to the profit of the exchequer. They have the further mischievous effect of accustoming mankind to look to chance alone for what their own talents or enterprize might attain; and to seek for personal gain, rather in the loss of others, than in the original sources of wealth. The reward of active energy appears paltry beside the bait of a capital prize. Moreover, lotteries are a sort of tax, that, however voluntarily incurred, falls almost wholly upon the necessitous; for nothing, but

On the contrary, taxes, that check and confine the excesses of vanity and vice, besides yielding a revenue to the state, operate as a means of prevention. Humboldt mentions a tax upon cock-fighting, which yields to the Mexican government 45,000 dollars per annum, and has the further advantage of checking that cruel and barbarous diversion.

Exorbitant or inequitable taxation promotes fraud, falsehood, and perjury. Well-meaning persons are presented with the distressing alternative, of violating truth, or sacrificing their interests in favor of less scrupulous fellow-citizens. They cannot but feel involuntary disgust, at seeing acts, in themselves innocent, and sometimes even useful and meritorious, branded with the name, and subjected to the consequences, of criminality.

These are the principal rules, by which present or future taxation must be weighed, with a view to the public prosperity. After these general remarks, which are applicable to taxation in all its branches, it may be useful to examine the various modes of assessment; in other words, the methods adopted for procuring money from the subject; as well as to enquire, upon what classes of the community the burthen principally falls.

but the pressure of want, can drive mankind to adventure, with the chances manifestly against them. The sums thus embarked are for the most part the portion of misery; or, what is worse, the fruit of actual crime.

## SECT. II.

*Of the different Modes of Assessment, and the Classes they press upon respectively.*

TAXATION, as we have seen above, is a requisition by the government upon its subjects for a portion of their products, or of their value. It is the business of the political economist to explain the effects resulting from the nature of the products put in requisition, and from the mode of apportioning the burthen, as well as upon whom the burthen of the charge really falls, since it must inevitably fall upon some one or other. The application of the above principles in a few specific instances will shew, how they may be applied in all others.

The public authority levies the values taken in the way of taxation, sometimes in the shape of money, sometimes in kind, according to its own wants, or the ability of the tax-payer. In whatever shape it is paid, the actual contribution of the tax-payer is always of the value of the article he gives. If the government, wanting or pretending to want corn, or leather, or woollens, makes a requisition of those articles upon the tax-payer, and obliges him to furnish them in kind, the tax paid amounts exactly to what the payer has expended in procuring those articles, or what he could have sold them for, if the government had not taken them from him. This is the only way of ascertaining the amount of the tax, whatever

price or rate the government may set upon it in the plenitude of its power.

So likewise, the charges of collection, in whatever shape they may appear, are always an aggravation of the assessment, whether they accrue to the profit of the state or not. If the tax-payer be obliged to lose his time, or transport his goods, for the purpose of paying the tax, the whole of the time lost, or expense of transport, is an aggravation of the tax.

Among the contributions, that a government exacts from its subjects, should likewise be comprised, all the expenses which its political conduct may bring upon the nation. Thus, in estimating the expenses of war, we must include the value of equipage and pocket-money, with which the military are supplied by themselves or their families; the value of the time lost by the militia; the sums paid for exemption and substitutes; the full charge of quarters for the troops; the pillage and destruction they may be guilty of; the presents and attentions lavished on them by friends or countrymen on their return: to all which must be added, the alms extorted from pity and compassion by the misery consequent upon such mis-rule. For, in fact, none of these values need have been taken from the members of the community under a better system of government. And, although none of them have gone into the treasury of the monarch, yet have they been paid by the people, and their amount is as completely lost, as if they

had contributed to the happiness of the human species.

Hence we may form some notion of the extent of the national sacrifices. But, from what source are they drawn? Doubtless, either from the annual product of the national industry, land and capital; that is to say, from the national revenue; or from the values previously saved and accumulated; that is to say, from the national capital.

When taxation is moderate, the subject can not only pay his taxes wholly out of his revenue, but will not be altogether disabled from besides saving some part of that revenue: and, although some of the tax-payers may be obliged to trench upon their capital for the payment of their taxes, the loss to the general stock is amply reimbursed by the savings, which this happy state of affairs allows others to effect.

But it is far otherwise, when military despotism or usurped authority extorts excessive contributions. Great part of the taxes is then taken from the vested and accumulated capital; and, if the country be long subjected to its domination, the revenues of each successive year are progressively reduced, and the ruin and depopulation of the country will recoil upon its rulers, unless their downfall be accelerated by their own folly and excesses.

Under the protecting influence of just and regular government, on the contrary, there is a progressive annual enlargement of the profits and



revenues, on which taxation is to be levied; and that taxation, without any alteration of its ratio, gradually becomes more productive, by the mere multiplication of taxable products.

Nor is the government more deeply interested in moderating the ratio of taxation, than in its impartial assessment upon every class of individual revenue, and its equal pressure upon all. In fact, when revenue is partially affected, taxation sooner reaches the extreme limits of the ability of some classes, while others are scarcely touched at all: it becomes vexatious and destructive, before it arrives at the highest practicable ratio. The burthen is galling, not because of its weight, but because it does not rest upon all shoulders alike.

The different methods employed to reach individual revenues, may be classed under two grand divisions — direct, and indirect, taxation; the former is, the absolute demand of a specific portion of an individual's real or supposed revenue; the latter, a demand of a specific sum on each act of consumption of certain specified objects, to which that income may be applied.

In neither case, is the real subject of taxation that commodity, on which the estimate is made, and which forms the groundwork of the demand for the tax; or of necessity that value, whereof a part is taken by the state; individual revenue is the only real subject of taxation (*h*); and the

---

(*h*) Not in all cases: for capital is taxable, and is often taxed; and justly too, in cases of emergency. T.

specific commodity is selected only as a more or less effective means of discovering and attacking that revenue. If individual honesty could in every case be relied on, the matter would be simple enough; all that would be requisite would be, to ask each person the amount of his annual profits, that is to say, his annual revenue. The contingent of each would be readily settled, and one tax only necessary, which would be at the same time the most equitable, and the cheapest in the collection. This was the method adopted at Hamburgh, before that city fell into misfortune; but it can never be practised, except in a republic of small extent, and very moderately taxed.

As a means of assessing direct taxation proportionately to the respective revenues of the tax-payers, governments sometimes compel the production of leases by landlords, or, where there is no lease, set a value on the land, and demand a certain proportion of that value from the proprietor; this is called a land-tax.\* Sometimes they estimate the revenue by the rent of the habitation, and the number of servants, horses, and carriages kept, and make the assessment accordingly. This is called in France, the tax on moveables.† Sometimes they calculate the profits of each person's profession or calling, by the extent of the population and district where it is followed. This is called in France, the licence-tax.‡ All these

\* *Contribution-foncière* — † *mobilière*. ‡ *Les Patentes*.

different modes of assessment are expedients of direct taxation.

In the assessment of indirect taxation, and such as is intended to bear upon specific classes of consumption, the object itself is alone attended to, without regard to the party who may incur the charge. Sometimes a portion of the value of the specific product is demanded at the time of production; as in France, in the article of salt. Sometimes the demand is made on entry, either into the state, as in the duties of import \*; or into the towns only, as in the duties of entry.† Sometimes a tax is demanded of the consumer at the moment of transfer to him from the last producer; as in the case of the stamp-duty in England (i), and the duty on theatrical tickets in France. Sometimes the government requires a commodity to bear a particular mark, for which it makes a charge, as in the case of the assay-mark of silver, and stamp on newspapers. Sometimes it monopolizes the manufacture of a particular article, or the performance of a particular kind of business; as in the monopoly of tobacco, and the postage of letters. Sometimes, instead of charging the commodity itself, it charges the payment of its price; as in the case of stamps on receipts and mercantile paper. All these are different ways of raising a

\* *Douanes.*

† *Octroi.*

---

(i) It is difficult to say, what branch of the English stamp-duties is here alluded to. T.

revenue by indirect taxation ; for the demand is not made on any person in particular, but attaches upon the product or article taxed. \*

It may easily be conceived, that a class of revenue, which may escape one of these taxes, will be affected by another ; and that the multiplicity of the forms of taxation gives a great approximation to its equal distribution ; provided always, that all are kept within the bounds of moderation.

Every one of these modes of assessment has peculiar advantages and peculiar disadvantages, besides the general evil of all taxation, viz. that of appropriating a part of the products of the community to purposes little conducive to its happiness and re-productive powers. Direct taxation, for instance, is cheap in the collection ; but, on the other hand, it is paid with reluctance, and must be enforced with considerable harshness and rigor. Besides, it bears very inequitably upon the individual. A rich merchant, charged only 600 *fr.* for his licence, makes an annual profit, perhaps, of 100,000 *fr.* ; while the retailer, who can scarcely be supposed to make more than 4000 *fr.*, is charged for his licence 100 *fr.*, which is the lowest rate. The revenue of the land-holder is already affected by the land-tax, before it is further reduced by the tax on moveables ; while the capitalist is subjected to the latter burthen only.

\* Not because they affect the tax-payer indirectly ; for this circumstance is equally applicable to many items of direct taxation ; as, for instance, to the licence-tax (*patentes*), part of which falls indirectly upon the consumer, who buys of the licensed dealer.

Indirect taxation has the recommendation of being levyable with more ease, and with less apparent vexation or hardship. All taxes are paid with reluctance, because the equivalent to be expected for them, *i. e.* the security afforded by good order and government, is a negative benefit, which does not immediately interest individuals; for the benefit afforded consists rather in prevention of ill, than in the diffusion of good. But, the buyer of the taxed commodity does not suspect himself to be paying for the protection of government, which probably he cares very little about; but merely for the commodity itself, which is an object of his urgent desire, although, in fact, that price is aggravated by the tax. The inducement to consume is strong enough to include the demand of the government; and he readily parts with a value, that procures an immediate gratification.

It is this circumstance, that makes such taxes appear to be voluntary. And, indeed, so much so were they considered by the United States before their emancipation, that, although the right of the British Parliament to tax America without her consent was stoutly denied, yet she was ready to acknowledge the right of imposing taxes upon consumption, which every body could evade if he pleased, by abstaining from the articles taxed. \*

---

\* *Vide* Examination of B. Franklin at the bar of the House of Commons, 1766. *Memoirs*, vol. i. Appendix 6. (*l*)

(*l*) The denial went to the whole of what is called *internal* taxation; the admission, which appears on the part of the American

Personal taxes are viewed in a different light, and have more of the character of ostensible spoliation.

Indirect taxation is levied piecemeal, and paid by individuals according to their respective ability at the moment. It involves none of the perplexity of separate assessments on each province, department, or individual; or of the inquisitorial inspection into private circumstances; nor does it make one person suffer for the default of another. The inconvenience of appeals and private animosities, as well as of levy by distress or imprisonment, is avoided altogether.

Another advantage of indirect taxation is, that it enables the government to bias the different classes of consumption; favoring such as promote the public prosperity, as does reproductive consumption of all kinds; and checking such as tend to public impoverishment, as do all kinds of unproductive consumption; discouraging the costly and insipid indulgences of the wealthy, and promoting the simpler and cheaper enjoyments of the poor and industrious.

It has been objected to indirect taxation, that it entails a heavy expense of collection and management, and a large establishment of clerks, officers, directors, and subordinate agents; but it

---

American agents to have been a concession for the sake of peace, went no farther than to *external* taxes for the regulation of trade. And even this concession on the part of some of the agents was very soon retracted, and the right of taxation denied *in toto*. *Ibid.* vol. i. *passim*. T.

is observable, that these charges may be vastly reduced by good administration. The excise and stamp-duties in England cost but  $3\frac{1}{4}$  per cent. in the collection in the year 1799.\* There are few classes of direct taxation, that are managed so economically in France.

It has been further objected, that its product is uncertain and fluctuating; whereas, the public exigencies require a regular and certain supply: but there has never been any lack of bidders, whenever such taxes have been let out to farm; and experience has shown, that the product of every class of taxation may always be nearly estimated and safely reckoned upon, except in very rare and extraordinary emergencies. Besides, taxes on consumption are necessarily various; so that, the deficit of one is covered by the surplus of another.

Indirect taxation is, however, an incentive to fraud, and obliges governments to brand with the character of guilt, actions that are innocent in their nature; and, consequently, to resort to a distressing severity of punishment. But this mischief is never considerable, until taxation has grown excessive, so as to make the temptation to fraud counterbalance the danger incurred. All excess of taxation is attended with this evil; that,

\* *Garnier, Traduction de Smith*, tom. iv. p. 438. According to Arthur Young, the stamp-duties in his time cost but 5,691*l.* in the collection, upon a receipt of 1,330,000*l.*; which is less than  $\frac{1}{2}$  per cent.

without enlarging the receipts of the public purse, it multiplies the sufferings of the population.

It may be observed, that consumption, and, consequently, individual revenue, are unequally affected by indirect, as well as by direct, taxation: for the private consumption of many articles is not proportionate to the revenue of the consumer. The possessor of an annual revenue of 100,000 *fr.* does not consume in the year an hundred times as much salt, as the possessor of a revenue of 1000 *fr.* only. But this inequality may be obviated by the variety of taxes on consumption. Moreover, it is to be recollected, that such taxes fall upon incomes already charged with the taxes on land and on moveables. A person, whose whole income is derived from land, in respect to which he is taxed in the first instance, pays on the same income a second tax under the head of moveables; and a third on every taxed article, that he buys and consumes.

Although all these kinds of taxes be paid in the outset, by the persons of whom they are demanded by the public authority, it would be wrong to suppose, that they always ultimately fall on the original payers, who, in many instances, are not the parties really charged, but merely advance the tax in the first instance, and contrive to get indemnified wholly or partially by the consumers of their own peculiar products. But the rate of indemnity is infinitely diversified by the respective circumstances of the individuals.



Of this diversity, we may form some notion, by the consideration of the following general facts :

When the taxation of the producers of a specific commodity operates to raise its price, part of the tax is paid by the consumers of the commodity. If its price be nowise raised, it falls wholly upon the producers. If the commodity, instead of being thereby advanced in price, is deteriorated in quality, a portion of the tax at least must fall upon the consumer ; for a purchase of inferior quality at equal price is equivalent to a purchase of equal quality and superior price.

Every addition to price must needs reduce the number of those possessed of the ability to purchase ; or, at any rate, must diminish the extent of that ability.\* There is much less salt consumed, when it sells for 3s. than when it sells for 1s. the lb. Now, the ratio of the demand to the means of production being lowered, productive agency in this department is worse paid ; that is to say, the master-manufacturer of salt, and all the subordinate agents and labourers, together with the capitalist, that supplies the funds, and the landlord of the premises where the concern is carried on, must be content with smaller profits, because their product is less in demand. † The pro-

\* *Suprà*, Book II. chap. I.

† The position, that the interest of the capitalist and the rent of the landlord are thereby lowered, however paradoxical it may appear, is, nevertheless, quite true. It may be asked, why should the capitalist, who makes the advance to the manufacturer, or the landlord, whose land he occupies, lower their

ductive classes, indeed, naturally strive to indemnify themselves to the amount of the tax; but, they can never succeed to the full extent, because the intrinsic value of the commodity, that, I mean, which goes to pay the charges of production, is really diminished. So that, in fact, the tax upon an article never raises its total price by the full amount of the tax; because, to do so, the total demand must remain the same; which it never can do. Wherefore, in such cases, the tax falls, partly upon those, who still continue to consume, notwithstanding the increase of price, and partly upon the producers, who raise a less product, and find that, in consequence of the reduced demand; they really obtain less on the sale, when the tax comes to be deducted. The public revenue gains the whole excess of price to the consumer, and the whole of the profit, which the producer is thus compelled to resign. The effect is analogous to that of gunpowder, which at the

their demands, in consequence of a portion of the product being subtracted by taxation? But, is no allowance to be made for consequent delay of payment, claims of allowances, failures, and legal expenses? All, or at least a portion, of which must fall upon the landlord and capitalist; and often without any suspicion on their part, that they are thus made to participate in the burthen. In a complex social organization, the pressure of taxation is often imperceptible.

This shows the danger of adherence to invariable principle; and of abandoning the experimental method of Smith, and constructing a system of theoretical deduction, as some recent English writers have done, in imitation of the economists of the last century.

same time propels the bullet, and makes the piece recoil. (*l*)

By laying a tax upon the consumption of woollens, their consumption is reduced, and the revenue of the wool-grower suffers in consequence. It is true, he may take to a different kind of cultivation; but we may fairly suppose, that, under all the circumstances of soil and situation, the

---

(*l*) Taxation undoubtedly operates to reduce the general scale of interest and of rent; because they can neither of them be obtained, except out of the surplus remaining, after the present activity of industry shall have been duly recompensed; and, since taxation itself must fall upon that surplus in the first instance, it will of course subtract from the residue assignable to the inactive proprietor of land or of capital. But this reduction will be general and not particular; it will affect the general scale of the revenue of land and capital, and not their scale of profit in the particular employment only; unless, indeed, where the land or capital happens to be so engaged, as to preclude the change of employment; in which case the tax is inequitable.

So likewise, the general scale of the revenue of active industry, or human agency, will be reduced by taxation, whenever it tends to reduce the general demand for that agency; and the scale of revenue of particular occupations will be reduced, by specific taxation of the particular occupation, then only, when the human agency embarked in it is inapplicable to any other. But, it is often found, that the general scale of the revenue of human agency is raised by exorbitant taxation; because, where taxation is imposed to meet present expenditure, the public demand for human agency is commonly very great; that being the principal object of public expenditure. It is far otherwise with taxation, imposed to defray the interest of past extravagance. T.

rearing of sheep was the most profitable kind of culture; otherwise, he would not have chosen it. A change in the mode of cultivation must, therefore, involve a loss of revenue. But the clothier and the capitalist will each be subjected to a portion of the loss resulting from the tax.

Each concurrent producer is affected by a tax on an article of consumption, in proportion only to the share he may have in raising the product taxed.

When the owner of the soil furnishes the greatest part of the value of a product, as he does in respect to products consumed nearly in the primary state, he it is that bears the greatest part of that portion of the tax, which falls on the producers. A duty of entry upon wine imported into the towns, falls heavily upon the wine-grower; but an exorbitant excise upon lace will affect the flax-grower in a degree hardly perceptible; whereas, all the other producers, the dealers, the operative and speculative manufacturers, who create the far greater proportion of the value of the lace, will suffer very severely.

When the value of a product is partly of foreign, and partly of domestic creation; the domestic producers bear nearly the whole burthen of the tax. A tax upon cottons in France will reduce the earnings of her cotton manufacturers, by lowering the demand for their product; thus, part of the tax will fall on them. But the wages of the productive agency of the cotton-growers in America will be very little affected indeed, unless there

be a concurrence of other circumstances. In fact, the tax would reduce the consumption in France 10 per cent. perhaps, and the demand in America 1 per cent. only, if the demand from France were but  $\frac{1}{10}$  of the general demand upon America.

The taxation of an object of consumption, if it be one of primary necessity, operates upon the price of almost all other products, and, consequently, falls upon the revenues of all the other consumers. An *octroi* upon meat, corn, and fuel, at their entry into a town, enhances the price of every thing manufactured in it; while a tax upon the tobacco there consumed makes no other commodity dearer: the producers and consumers of tobacco alone are affected; and for a very plain reason; the producer, who indulges in superfluities, has to maintain a competition with another, who abstains from them; but, if he pays a tax upon necessaries, he need fear no competition; for his neighbours will be all in the same predicament.

The direct taxation of the productive classes must, *à fortiori*, affect the consumers of their products, but can never raise the prices of those products so much, as completely to indemnify the producer; because, as I have repeatedly explained, the increased price abridges the demand, and the contraction of the demand reduces the profits of all the productive agency, that has been exerted in the supply.

Of the concurrent producers of a specific pro-

duct, some can more easily evade the effect of the tax than others. The capitalist, whose capital is not absolutely vested and sunk in a particular business, may withdraw it and transfer it elsewhere, from a concern that yields him a reduced interest, or has become more hazardous. The adventurer or master-manufacturer may, in many cases, liquidate his account, and transfer his labour and intelligence to some other quarter. Not so the land-owner and proprietor of fixed capital. \* An acre of vineyard or corn-land will only produce a given quantity of corn or wine, whatever be the ratio of taxation; which may take the  $\frac{1}{2}$ , or even  $\frac{3}{4}$  of the net produce, or rent as it is called, and yet the land be tilled for the sake of the remaining  $\frac{1}{2}$ , or  $\frac{1}{4}$ . † The rent, that is to say, the portion assigned to the proprietor, will be reduced; and that is all. The reason will be manifest to any one, who considers, that, in the case supposed, the land continues to raise and supply the market with the same amount of produce as before; while, on

\* *Vide suprâ*, Book I. chap. 4. for the explanation of the mode, in which the landholder concurs in production by the advance of his land, and must, therefore, be included amongst the productive classes.

† The cultivation need never be abandoned altogether, until taxation takes more than the whole surplus product, applicable to the payment of rent; it is then worth nobody's while to cultivate at all; for not only could the proprietor receive nothing, the whole being appropriated by the state; but the farmer would be compelled to pay to the state a higher rent, than he could afford.

the other hand, the motives in which the demand originates remain just as they were. \* If, then, the intensity of supply and demand must both remain the same, in spite of any increase or diminution of the ratio of direct taxation upon the land, the price of the product supplied will likewise remain unchanged; and nothing but a change of price can saddle the consumer with any portion whatever of that taxation. †

\* There is this peculiarity attending the products of agricultural industry; viz., that their average price is not raised by growing scarcity, because population is sure to decline co-extensively with the declining supply of human aliment; so that the demand necessarily diminishes equally with the supply. Thus, it is not found, that wheat is dearer in those countries, where great part of the land is thrown out of tillage, than where it is all in a high state of cultivation. In Spain, wheat is not now dearer, than in the time of Ferdinand and Isabella, though it is there produced in much less abundance; for the number of mouths to be fed is also much less. On the contrary, the lands of both England and France were less cultivated in the middle ages than at the present day; and their product of grain less abundant: yet it does not appear, from a comparison of other values, that it was then much dearer than at present. The product and the population were both greatly inferior; and the slackness of demand counterbalanced the slackness of supply.

† It is a mistake to suppose, that the tax must bear equally upon the proprietor and the farmer, who finds the requisite capital and industry; for taxation can have no effect, either in reducing the quantity of land capable of cultivation, or in multiplying the number of farmers, able and willing to undertake it; and, if neither supply nor demand in this branch be varied, the ratio of rent must needs remain unaltered likewise.

Nor can the proprietor evade the tax even by the sale of the estate; for the price or purchase-money will be calculated according to the revenue which may be left him by taxation. The purchaser makes his estimate according to the net revenue, charges and taxes deducted. If the ordinary interest on such investments of capital be five per cent., an estate, that before would have sold for 100,000 *fr.*, will fetch but 80,000 *fr.* when it comes to be charged with an annual tax of 1000 *fr.*; for its actual product to the proprietor will not exceed 4000 *fr.* The effect is precisely the same, as if government were to appropriate to itself  $\frac{1}{5}$  of the land in the country; which would make no difference at all to the consumers of its produce. \*

But property in dwelling-houses is otherwise circumstanced; a tax upon the ownership raises the rents; for a house, or rather the satisfaction it yields to the occupier, is a product of manufacture and not of land; and the high rate of house-rent reduces the production and consumption of houses, in the like manner as of cloth or any other manufactured commodity. Builders, finding their profits reduced, will build less; and consumers, find-

\* The Economists were quite correct in their position, that a land or territorial tax falls wholly upon the net product, and, consequently, upon the proprietors; but they were wrong in extending the doctrine so far as to assert, that all other taxes were defrayed out of the same fund.



ing the accommodation dearer, will content themselves with inferior lodging. (*m*)

From all these circumstances, we may judge of the temerity of asserting as a general maxim, that taxation falls exclusively upon any specific class or classes of the community. It always falls upon those, who can find no means of evasion; for every one naturally tries to shift the burthen off his own shoulders if possible; but the ability to evade it is infinitely varied, according to the various forms of

---

(*m*) These positions are laid down too broadly. All fixed property, whether of land or of capital, may be directly charged, without the possibility of shifting the burthen; for the state may appropriate to itself any portion of the land, or of the capital already in existence, and may therefore take any portion or even the whole of the rent of land and interest of immoveable capital; and that without any interruption of the productive occupation of active industry, further than inasmuch as the spoliation of objects of fixed property may operate as a diminution of the premium or reward held out to its exertion. But moveable capital may emigrate, and thus evade all local taxation of its earnings; and so may human agency. The clear rent of houses already in existence may be wholly absorbed by taxation; but the building of new ones will be suspended, until the gradual dilapidation shall have raised the price, so as to leave a rent to the proprietor, and hold out a premium to the builder. The clear rent of land may in like manner be absorbed; but its proprietor will make an effort to raise it; and will have the ability to do it in the first instance, in all expired tenancies; for population will not immediately decline in the ratio of the tax; and, where the whole land is appropriated, the owners will have the power of exacting increased exertion from the population, in return for subsistence, and of pocketing the proceeds of that increased exertion. T.

assessment, and the position of each individual in the social system. Nay more ; it varies at different times, even in the same channel of production. When a commodity is in great request, the holder will not part with the possession, unless indemnified for all his advances, of which the tax he has paid is a part : he will take nothing short of a full and complete indemnity. But, if any unlooked-for occurrence should happen to lower the demand for his product, he will be glad enough to take the tax upon himself, for the sake of quickening the sale. There are few things so unsteady and variable, as the ratio of the pressure of taxation upon each respective class of the community. Those writers, who have maintained, that it bears upon any one or more classes in particular, or in any fixed or certain proportion, have found their theory contradicted by experience at every turn.

Furthermore, the effects I have been describing, and which are equally consonant to experience and to reason, are uniform in their operation and of equal duration with the causes in which they originate. The owner of land will never be able to saddle the consumers of its produce with any part of his land-tax (*n*) ; not so the manufacturer. A manufactured commodity will invariably feel a diminution in its consumption, in consequence of the price being raised by taxation, supposing other circumstances to be stationary ; and its production will be a less

---

(*n*) *Vide supra*, p. 391. *in notis.*

profitable occupation. A person, who is neither producer nor consumer of an object of luxury, will never bear any portion whatever of the tax that may be laid upon it. What, then, must we think of a proposition, unfortunately sanctioned by the approbation of an illustrious body \*, that has too much neglected this branch of science; viz., ‘that it is of little importance whether a tax press upon one branch of revenue or another, provided it be of long standing; because every tax in the end affects every class of revenue; in like manner, as bleeding in the arm reduces the circulating blood of the whole human frame.’ The object of comparison has no analogy whatever with taxation. Social wealth is not a fluid, tending constantly to find a level. It rather resembles the vegetable creation, which admits of the loss of a limb without the destruction of the trunk; and in which the loss is more to be lamented, if the branch be productive, than if it be barren. But the tree will bear cutting and hacking in every part, before it becomes barren all over, or necessarily falls into decay. This is a far more apposite case; but neither will do to reason upon. Comparisons are not proofs, but mere illustrations, tending to make that intelligible, which can be made out in proof without their assistance.

When speaking of taxes upon products, which I have sometimes called, taxes upon consumption,

\* The French Institute, which awarded the prize of merit to an Essay of *M. Canard*, in support of this doctrine.

although not paid entirely in all cases by the consumer, I have hitherto made no mention of the particular stage of production, at which the tax may be demanded, or of the consequence of this particular circumstance, which deserves a little of our attention.

Products increase in value progressively, as they pass through the hands of the different concurrent producers: and even the most simple undergo a variety of modifications, before they arrive at a fit state for consumption. Wherefore, a tax does not take the proportion of the value of a product which it professes, unless it be levied at the precise moment, when it has arrived at the full value, and has undergone all the productive modifications. If a tax be imposed on the raw material in the outset, proportioned, not to its then value, but to the value it is about to receive, the producer, in whose hands it happens to be, is obliged to advance a tax out of proportion to the value in hand; which advance, besides being highly inconvenient to himself, is refunded with equal inconvenience by every successive producer, till it reach the hands of the last, who is in turn but partially indemnified by the consumer. And there is this further mischief in such an advance of the tax; that it prevents the class of industry, which is called upon to make it, from being originally set in motion, without a larger capital than the nature of the business requires; and, that the additional interest of the capital, which must be paid, part by the consumers, and part by the producers, is so much ad-

ditional taxation, without any addition of public revenue.\*

Thus, both theory and experience lead to the conclusion precisely opposite to that drawn by the sect of Economists; and show that portion of the tax, which presses upon the consumer's revenue, to be always the more burthensome, the earlier it is levied in the process of production.

Direct and personal taxes, which operate to raise the price of necessaries, or such as fall immediately upon necessaries, are liable to this inconvenience in the highest degree: for they oblige each producer to advance the personal tax on all the producers that have preceded him: so that the same amount of capital will set in motion a smaller amount of industry; and the tax-payers pay the

\* The duty on the import of cotton-wool into France was, in 1812, as high as 1000 *fr. per bale*, one bale with another. There were several manufactories averaging a consumption of two bales *per day*: and, as the amount of duty was a dead outlay, during the whole interval between the purchase of the raw material and the realization of the manufactured product, which may be taken at twelve months, they must each have required an additional capital of 600,000 *fr.* more than would have been requisite but for the tax; the interest of which they must have charged to the consumer, or have paid out of their own profits. The whole of it was so much addition of price to the French consumer, and aggravation of the pressure of taxation, unproductive of a single additional *franc* to the public revenue. The heaviest of the national burthens of that period were those, that made the least figure in the annual budget of the ministry: the people suffered, in very many instances, without knowing the nature of the grievance; as in the example just cited.

tax, *plus* a compound interest upon it, yielding no benefit to the exchequer.

Nor is this mere theory: the neglect of these principles has occasioned many serious practical errors; like that of the Constituent Assembly of France, which carried to excess the system of direct taxation, especially upon land; being misled by the prevailing and fashionable doctrine of the Economists; — that land is the source of all wealth, the agriculturist the only productive labourer, and France naturally and essentially an agricultural country.

It seems to me that, in the present stage of political economy, the principles of taxation will be more correctly laid down as follows —

Taxation is the taking a portion of the general product of the community, which never returns to the community in the channel of consumption.

It takes from the community, over and above the values actually brought into the exchequer, the charges of collection, and the personal trouble it entails; together with all those values, of which it obstructs the creation.

The privation resulting from taxation, whether voluntary or compulsory, affects the tax-payer in his quality of producer, whenever it operates to curtail his profits; that is to say, his income or revenue; and affects him in his character of consumer, whenever it increases his expenditure, by raising the prices of products.

And, since an increase of expenditure is precisely the same thing, as a diminution of revenue,

whatever is taken by taxation may be said to be so much deducted from the revenues of the community.

In a great majority of cases, the tax-payer is affected by taxation in both his characters, of producer and consumer; and, when he cannot manage to pay the public burthens out of his revenue, along with his personal consumption, he must encroach upon his capital. When this encroachment of one person is not counterbalanced by the savings of another, the wealth of the community must gradually decline.

The individual actually paying the tax to the tax-gatherer is not always the party really charged with it; at least, not the party charged with the whole that is paid. He frequently does no more than advance the tax, either wholly or partially; being afterwards re-imbursed by the other classes of the community, in a very complicated way, and perhaps after a vast variety of intermediate operations; so that a great many persons are paying portions of the tax, at a time when probably they least suspect it, either in the shape of the advanced price of commodities, or of personal loss, which they feel, but cannot account for.

The individuals, on whose revenues the tax ultimately falls, are the real tax-payers, and contribute value greatly exceeding the sum that is brought into the exchequer, even with the addition of the charges of collection. The misconduct of the government in the matter of taxation, is pro-

portionate to this excess of the payment above the receipt.

A country heavily taxed may be considered in the same light as one labouring under natural impediments to production. With a heavy charge of production, it raises a very small product. Personal exertion, capital, and the productive agency of land, are all but poorly recompensed : and more is expended in earning a less profit.

It is worth while on this head to recur to the principles explained in a former passage \*, when describing the difference between positive and relative dearness. High price resulting from taxation is positive dearness : it indicates a smaller product raised by the efforts of a larger amount of productive agency. Besides which, taxation generally occasions a cotemporary advance of commodities in comparison with silver ; that is to say, raises their money-price : and for this reason ; because specie is not an annual, regenerative product, like those that are swallowed up by taxation. Government is not a consumer of specie, except when it happens to export it for the payment of its armies, or foreign subsidies ; it refunds in the purchases it makes all the specie it obtains by taxation : but the value levied is never refunded. † Wherefore, since taxation paralyzes one part of

\* Book II. chap. 3.

† For the reason already stated, viz. that purchases, made with the proceeds of taxation, are acts of exchange, and not of restitution.



the sources of production, and effects the rapid destruction of the product of the other, when its ratio is excessive, it must gradually render products more scarce in proportion to the specie, which is not varied in quantity by the operation. Now, whenever the commodities to be circulated become fewer in proportion to the specie that is to circulate them, their relative value to the specie must rise; the same money will purchase a smaller quantity of products.

It might be supposed, that such a superabundance of gold and silver specie ought to operate in exoneration of the public: yet it cannot have that effect (*o*); for, however plentiful it may be in proportion to other commodities, still individuals can only obtain it by giving their own products in exchange; and the raising of those products has become more difficult and more costly.

Besides, when money-prices grow high, and specie is consequently reduced in relative value, it gradually takes its departure, and becomes scarcer, like all other commodities: and thus a country, burthened with a taxation too heavy for

---

(*o*) The high scale of prices in the home-market is unquestionably a relief to a debtor-nation; inasmuch as it reduces, not the scale of public expenditure, for that must be raised co-extensively with prices in general, but the scale of payment in domestic products to the public creditor. To the productive classes, a progressive advance of prices is the best, and a progressive decline the worst, state of the money market, as observed *suprà, passim*. T.

its productive powers, is first drained of its commodities, and next of its specie; till it gradually reaches the extreme of penury and depopulation.

The careful study of these principles will give some insight into the mode, in which the annual and really monstrous expenditure of national governments, in modern times, has habituated the subject to severer toil and exertion, without which it would be impossible that, after providing for the subsistence, comfort, and pleasures of himself and family, according to the habits of the time and place, he should be able to meet the consumption of the state, and the collateral waste and destruction it occasions, the amount of which it is impossible to ascertain, though in the larger states it is confessedly enormous.

This very profusion, though it proves the vices and defects of the political system and organization, has been attended with one advantage at any rate; viz., that it has operated to stimulate the approximation to perfection in the art of production, by obliging mankind to turn the natural agents to better account: in which point of view, taxation has certainly helped to develop and enlarge the human faculties(*p*): so that, when the progress of political science shall limit taxation to the supply of real public wants only, the improvements in the art of production will prove

---

(*p*) *Vide supra*, p. 345, note (c). T.

a vast accession to human happiness. But, should the abuses and complexity of the political system lead to the prevalence, extension, increase, and consolidation of oppressive and disproportionate taxation, it is much to be feared, that it may plunge again into barbarism those nations, whose productive powers are now the most astonishing: that the condition of the labouring classes, who are always the bulk of the community, may in such nations present a picture of drudgery so incessant and toilsome, as to make them cast a wistful eye upon the liberty of savage existence; which, though it offer no prospect of domestic comfort, at least promises emancipation from perpetual exertion to supply the prodigality of a public expenditure, yielding to them no satisfaction, and, perhaps, even operating to their prejudice. (*q*)

---

(*q*) This ground of apprehension is certainly just. It has been doubted by many political theorists, whether the total remission of taxation would operate to improve the condition of the inferior productive classes; inasmuch, as all, that is now paid into the public exchequer, would quickly be appropriated by the classes, who should happen to be in possession of those sources and means of production, which are capable of exclusive appropriation; and thus the owners of mere personal agency would nowise benefit. But it should be observed, that private persons have an immediate personal interest in making the most of their property; and will, on their own account, so conduct themselves, as to promote their own advantage, which is the advantage of the public also, where equality of personal right prevails. Wherefore, the strongest impulse of private

## SECT. III.

*Of Taxation in Kind.*

TAXATION in kind is the specific and immediate appropriation of a portion of the gross product to the public service.

It has this advantage, of calling on the producer only for what he has actually in hand, in the identical shape which it happens to be under. Belgium, after its conquest by France, found itself at times unable to pay its taxes, in spite of abundant crops; the war, and the prohibition of exportation, obstructed the sale of its produce, which the government enforced by demanding payment in money; whereas, the taxes might have been collected without difficulty, had the government been content to take payment in kind.

---

cupidity can never operate to retard the advance of productive power and national wealth, or to make them retrograde; but just the contrary. Thus, although the present condition of the mere labourer might not be improved, his means of bettering his condition would be enlarged, by the growing increase of wealth, and by greater freedom of personal agency. The extortion of private cupidity, unaided by authority, must, for its own sake, regulate itself by the ability of the object of it: but that of public authority is inexorable, and is restrained by no consideration of immediate personal interest. Besides, personal suffering, occasioned by the hard-heartedness of private task-masters, is not so strong an incentive of odium against public authority, as where that authority is itself the ostensible task-master. T.

It has the further advantage, of making it equally the interest of government and of the farmer to obtain plentiful crops, and improve the national agriculture. The levying of taxes in kind in China was probably the origin of the peculiar encouragement, bestowed by its government upon the agricultural branch of production. But, why favor one branch, when all are equally entitled to protection, because all contribute to bear the public burthens? And, why has not government an equal interest in supporting the other branches, which it takes the trouble of extinguishing?

It has likewise the advantage of excluding all exaction and injustice in the collection; the individual, when he gathers in his harvest, knows exactly what he has to pay; and the state knows what it has to receive.

This tax, which might appear at first sight to be of all others the most equitable, is, nevertheless, of all others the most inequitable; for it makes no allowance for the advances made in the course of production, but is taken upon the gross, instead of the net, product. Take two farmers in different branches of cultivation; the one farming tillage-land of moderate quality; his expenses of cultivation amounting one year with another, say to 8000 *fr.*, and the gross product of his farm, say to 12,000 *fr.*, so as to yield him a net product of 4000 *fr.* only: the other farming pasturage or wood-land, yielding a gross product of precisely the same amount of 12,000 *fr.*; with an expense of cultivation amounting, perhaps, to but 2000 *fr.*, leaving him

a net product, one year with another, of 10,000 *fr.* Suppose a tax in kind to be imposed in the ratio of  $\frac{1}{12}$  of the annual product of land of all descriptions indiscriminately. The former will have to pay in sheaves of corn to amount of 1000 *fr.*; the latter will pay, in cattle or in wood, an equal value of 1000 *fr.* What is the result? The one will have paid the fourth part of a net revenue of 4000 *fr.*; the other but the tenth part of a net revenue of 10,000 *fr.*

The revenue, that each person has for his own share, is the net residue only after replacing the capital he has embarked, whatever may be its amount. Is the gross amount of the sales he effects in the year the annual income of the merchant? Certainly not; all the income he gets is the surplus of his receipts above his advances; on this surplus alone can he pay taxes, without ruin to his concerns.

The ecclesiastical tithe levied in France under the old system was liable to this inconvenience in part only. It attached neither upon meadow, nor wood-land, nor kitchen-ground, nor many other kinds of cultivation; and in some places was  $\frac{1}{8}$ , in others  $\frac{1}{5}$  or  $\frac{1}{10}$  of the gross product; so that the real, was corrected by the apparent inequality. (r)

---

(r) Just the contrary, by our author's own showing; for it bore most heavily upon tillage, which requires the largest advance of capital. Indeed, it is impossible to make a tax in kind at all equitable in its pressure on production; for the ratio of the human industry and capital to the agency of land must be

The marechal de Vauban, in his work entitled, *Dixime Royale*, a book replete with just views, and well worth the study of those who manage national finances, proposes a tax of  $\frac{1}{20}$  of the pro-

---

be ever varying with the change of cultivation, and the variations of agricultural science. It might be fair enough to demand a fixed proportion of the primary or *natural* product of the soil; but, when human agency is set to work upon it in different ratios, it is rarely possible to distinguish, what portion of the total product is the product of the primary source, nature, and what of the secondary source, industry. The most equitable course is, to take the rent as the criterion; for rent is the net product, and may, in some sort, be considered as the total result of national agency; although, indeed, in countries presenting a large combination of utility and difficulty of attainment in the land, in other words, a large population with small territorial means, a portion of the product of industry too is commonly paid to the landlord.

It has been made a question of late, upon whom the burthen of the ecclesiastical tithe really falls; whether upon the landlord, or upon the consumer. And a late article of the Edinburgh Review, No. XVII. Art. 3., has laboured to show, from the doctrine of Malthus on the subject of rent, that it nowise affects the proprietor of land. Could such a conclusion be drawn from that doctrine, it would only prove its utter fallacy. Rent and tithe must both fall on the surplus product, after present human exertion (labour) and past human exertion (capital) have derived their due recompense. Wherefore, every deduction from that surplus in the shape of tithe or other tax must needs reduce the portion of the proprietor. Tithe, like taxation in general, subtracts from the reward of productive agency of all kinds; and, since human industry, where it is a free agent, can only be set in motion by the stimulus of enjoyment, there can be no product whatever, until the recompense is strong enough to tempt its activity; it is the recompense of the inanimate agent that will suffer diminution. T.

duct of the land, which, in times of great emergency, might be raised to  $\frac{1}{10}$ . But this proposition was made as a substitute for a still more inequitable system; namely, the saddling of the lands of the commonalty with the whole tax, and altogether exempting the lands of the nobles and clergy. That public-spirited writer, who had occasion, in his character of engineer, to become personally acquainted with every part of France, speaks most feelingly of the hardships resulting from the land-tax (*s*) of those days. And there is no doubt, that the adoption of his plan at that time would have been a vast relief to the country. But it was disregarded. Why? Because every courtier had an interest to resist it: and this fine country was left to flounder through its distresses. The consequence was, a heavier loss of population from famine, than from the sword, in the war of the Spanish succession.

The difficulty and expense of collection, together with the abuses to which it is liable, are another objection to taxation in kind. The immense number of agents must open a fine field for speculation. The government may be imposed upon, in respect to the amount collected, upon the subsequent sale and disposal, in respect to the quantity damaged, as well as in the charges of storing, preservation, and carriage. If the tax be farmed

---

(*s*) *Taille*; for the explanation of this tax, *vide*, *Wealth of Nations*, book v. c. 2. art. 2. T.



to contractors, the profits and expenses of numberless farmers and contractors must all fall upon the public. The prosecution of the farmers and contractors alone, would require the active vigilance of administration. 'A gentleman of great fortune,' says Smith, 'who lived in the capital, would be in danger of suffering much by the neglect, and more by the fraud, of his factors and agents, if the rents of an estate in a distant province were to be paid to him in this manner. The loss of the sovereign, from the abuse and depredation of his tax-gatherers, would necessarily be much greater.'\*

Various other objections have been urged against taxation in kind, which it would be useless and tedious to enumerate. I shall only take the liberty of remarking the violent operation upon relative price, which must follow from so vast a quantity of produce being thrown upon the market by the agents of the public revenue, who are notoriously equally improvident as buyers and as sellers. The necessity of clearing the storehouses to make room for the fresh crop, and the ever urgent demands upon the public purse, would oblige them to sell below the level, to which the price would naturally be brought by the rent of the land, the wages of labour, and the interest of the capital, engaged in agriculture; and private dealers would be unable to maintain the competition. Such taxation not only takes from the

\* *Wealth of Nations*, book v. c. 2. art. 1.

cultivator a portion of his product, but prevents his turning the residue to good account.

#### SECT. IV.

##### *Of the Territorial or Land-Tax of England.*

IN the year 1699, which was four years after the happy revolution, that placed the prince of Orange upon the British throne, a general valuation was made of the income of all the land in the country ; and, upon that valuation, the land-tax continues to be levied to this day ; so that the tax of four shillings in the pound, upon the rents of land, is a fifth of its rent in 1692, and not of the actual rent at the present day.

It may easily be conceived, how much this tax must operate to encourage improvements of the land. An estate, that has been improved, so as to double the rent, does not pay double the original tax ; neither does it pay a less tax if it be suffered to fall into neglect and impoverishment ; thus, it operates as a penalty upon negligence.

To this fixation of the tax, many writers attribute the high state of cultivation of the land in England : and doubtless it may have done much to promote improvement. But, what would be thought of a government, that should say to a tradesman in a small way of business ; ‘ You are trading in a small way upon a small capital, and, consequently, pay very little in direct taxes. Bor-

row, and enlarge your capital, extend your dealings, and increase your profits as much as you can, and we will not charge you with any increase of taxes. Nay further, when your heirs succeed to the business, and have still further extended it, they shall be assessed at precisely the same rate, and shall continue subject to the same taxes only.' All this might be a vast encouragement to trade and manufacture; but would there be any equity in such a proceeding? and might they not advance without such assistance? Has not England herself presented the example of a still more rapid improvement in commercial and manufacturing industry, without any such unjust partiality? A land-owner, by attention, economy, and intelligence, improves his annual income to the amount, say of 5000 *fr.*; if the state claim a fifth of this advance, there will still be a bonus of 4000 *fr.* to stimulate and reward his exertions.

It would be easy to put cases, in which the tax, becoming by its fixation disproportionate to the means of the tax-payers and the condition of the soil, might be productive of as much mischief, as it has done good in other instances: where it would operate to throw out of cultivation a class of land, that, by one cause or other, had become incompetent to pay the same ratio of taxation. We have seen an example of this in Tuscany. There, a census or terrier was made in 1496, wherein the plains and vallies were rated very low, on account of the frequent floods and inundations, which prevented any regular and pro-

fitable cultivation: while the uplands, that were then the only cultivated spots, were rated very high. Since then, the torrents and inundations have been confined by drainage and embankment, and the plains reduced to fertility; their produce, being comparatively exempt from tax, came to market cheaper than that of the uplands, which, consequently, were unable to maintain the competition, under the pressure of disproportionate taxation, and have gradually been abandoned and deserted.\* Whereas, had the tax been adjusted to the change of circumstances, both might have been cultivated together.

In speaking of a tax, peculiar to a particular nation, I have used it merely in illustration of general and universal principles.

\* *Forbonnois, Principes et Observ. &c. tom. ii. p. 247.*

## CHAP. IX.

## OF NATIONAL DEBT.

## SECT. I.

*Of the contracting of Debt by National Authority, and of its general Effect.*

THERE is this grand distinction between an individual borrower and a borrowing government, that, in general, the former borrows capital for the purpose of beneficial employment, the latter for the purpose of barren consumption and expenditure. A nation borrows, either to satisfy an unlooked-for demand, or to meet an extraordinary emergency; to which ends, the loan may prove effectual or ineffectual: but, in either case, the whole sum borrowed is so much value consumed and lost, and the public revenue remains burthened with the interest upon it.

Melou maintains, that national debt is no more than a debt from the right hand to the left, which nowise enfeebles the body politic. But he is mistaken: the state is enfeebled, inasmuch as the

capital lent to its government, having been destroyed in the consumption of it by the government, can no longer yield any body the profit, or in other words, the interest, it might earn in the character of a productive means. Where-with, then, is the government to pay the interest of its debt? Why, with a portion of the revenue arising from some other source, which it must transfer from the tax-payer to the public creditor for the purpose.

Before the act of borrowing, there will have been in existence two productive capitals, each of them yielding, or capable of yielding, revenue; that is to say, a capital about to be lent to government, and a capital whereon the future tax-payers derive that revenue, which is about to be applied in satisfaction of the interest upon the capital lent. After the act of borrowing, there will remain but one of these capitals; viz., the latter of the two, whereof the revenue is thenceforward no longer at the disposal of its former possessors, the present tax-payers, since it must be taken in some form of taxation or other by the government, for the sake of providing the payment of interest to its creditors. The lender loses no part of his revenue: the only loser is the payer of taxes.

People are apt to suppose, that, because national loans do not necessarily occasion any diminution of the national money or specie, therefore, they occasion, not a loss, but merely a transfer, of national wealth. With a view to the more ready

exposure of this fallacy, I have subjoined a synoptical table, showing what becomes of the sum borrowed, and whence the public creditor's interest is satisfied. \*

When a government borrows, it either does or does not engage to repay the principal. In the latter case, it grants what is called, a perpetual annuity. Redeemable loans are capable of infinite variety in the terms. The principal is contracted to be repaid, sometimes gradually, and in the way of lottery; sometimes by instalments payable together with the interest; sometimes in the way of increased interest, with condition to expire on the death of the lender; as in the case of tontines and life-annuities, whereof the latter determine on the death of the individual lender; whereas, in tontines, the full interest continues to be divided amongst the survivors, until the whole of the lives have expired.

Tontines and life-annuities are very improvident modes of borrowing; for the borrower remains throughout liable to the full rate of interest, although he annually repays a part of the principal. Besides, they savour of immorality; offering a premium to egotism, and a stimulus to the dilapidation of capital, by enabling the lender to consume both principal and interest, without fear of personal beggary.

The governments best acquainted with the busi-

\* *Vide*, App. A.

ness of borrowing and lending have not, of late years at least, given any engagement to repay the principal of the loan. Thus, public creditors have no other way of altering the investment of their capital, except by selling their transferable security, which they can do with more or less advantage to themselves, according to the buyer's opinion of the solidity of the debtor-government, that has granted the perpetual annuity.\* Despotic governments have always found a great difficulty in negotiating such loans. Where the sovereign is powerful enough to violate his contracts at pleasure, or where there is a mere personal contract with the reigning monarch, with a risk of disavowal by the successor, lenders are loth to advance their money, without a near and definite period of repayment.

The appointment to posts and offices, under condition of an annual payment, or of a deposit for which the government engages to pay interest, is a mode of borrowing in perpetuity, in which the loan is compulsory. When once this paltry expedient is resorted to, it requires very little ingenuity to find plausible grounds, for converting almost every occupation, down to the dust-man and street-porter, into patent and saleable offices.

Another mode of borrowing is, by the anticipation of revenue; by which is meant, the assignment by a government of revenues not yet due,

\* In the next section it will be explained, how an unredeemable debt may be extinguished by purchase at the market-price.



with allowance in the nature of discount ; the taking up money in advance from lenders, who charge a discount proportionate to the risk they run from the instability of the government and possible deficiency of the revenue. Engagements of this kind, contracted by a government, and satisfied, either out of the revenue when collected, or by the issue of fresh bills upon the public treasury, constitute what bears the uncouth English denomination of *floating* debt : the consolidated debt being that, whereon the creditor can demand the interest only, and not the principal.

National loans of every kind are attended with the universal disadvantage, of withdrawing capital from productive employment, and diverting it to the channel of barren consumption ; and, in countries where the credit of the government is at a low ebb, with the further and particular disadvantage, of raising the interest of capital. Who can be expected to lend at 5 per cent. to the farmer, the manufacturer, or the merchant, while he can readily get an offer of 7 or 8 per cent. from the government ? That class of revenue, which has been called, profit of capital, is thereby advanced in its ratio, at the expense of the consumer : the consumption falls off, in consequence of the advance in the real price of products ; the productive agency of the other sources of production are less in demand, and, consequently, worse paid ; and the whole community is the sufferer, with the sole exception of the capitalist.

The ability to borrow affords one main advantage to the state; viz. the power of apportioning the burthen entailed by a sudden emergency among a great number of successive years. In the present state of public affairs, and on the present scale of international warfare, no country could support the enormous expense from its ordinary annual revenue. The larger states pay in taxation nearly as much as they are able; for economy is by no means the order of the day with them; and their ordinary expenditure seldom falls much short of the income. If the expenditure must be doubled to save the nation from ruin, borrowing is usually the only resource; unless it can make up its mind to violate all subsisting engagements, and be guilty of spoliation of its own subjects and foreigners too. The faculty of borrowing is a more powerful agent, than even gunpowder; but probably the gross abuse, that is made of it, will soon destroy its efficacy.

Great pains have been taken, to find in the system of borrowing, as well as in taxation, some inherent advantage, beyond that of supplying the public consumption. But a close examination will expose the hopelessness of such an attempt.

It has been maintained, for instance, that the debentures and securities, which form a national debt, became real and substantial values existing within the community; that the capital, of which they are the evidence or representative, is so much positive wealth, and must be reckoned as an item

of the total substance of the nation.\* But it is not so; a written contract or security is a mere evidence, that such or such property belongs to such an individual. But wealth consists in the property itself, and not in the parchment, by which its ownership is evidenced; therefore, *à fortiori*, a security is not even an evidence of wealth, where it does not represent an actual existing value, and when it operates as a mere power of attorney from the government to its creditor, enabling him to receive annually a specified portion of the revenue expected to be levied upon the tax-payers at large. Supposing the security to be cancelled, as it might be by a national bankruptcy, would there be any the least diminution of wealth in the community? Undoubtedly not. The only difference would be, that the revenue, which before went to the public creditor, would now be at the disposal of the tax-payer, from whom it used to be taken.

Those who tell us, that the annual circulation is increased by the whole amount of the annual disbursements of the government †, forget that

\* *Considerations sur les Avantages de l'Existence d'une Dette publique*, p. 8.

† The transferable nature of these securities does not invest them with the properties of money, since they do not act in that capacity. But the use of convertible paper, as money, operates to create a positive addition to the total national capital; because, but for their agency in the transfer of value in general, it must be executed by specie, or some equally substantial item of capital. Government debentures of stock

these disbursements are made out of the annual products, and are a portion of the annual revenue, taken from the tax-payer; which would have been brought into the general circulation just the same, although no such thing as national debt had existed. The tax-payer would have spent what is now spent by the public creditor; that is all.

The sale or purchase of debentures or securities is not a productive circulation, but a mere substitution of one public creditor in place of another. When these transfers degenerate into

require money to circulate them, instead of acting themselves as money. (*a*)

---

(*a*) They may be made to act as money, and have been so in England to a certain degree, in the case of exchequer bills. And it is quite evident, that they could be made to do so in a further degree, even perhaps to execute the whole of the functions of money, except in regard to minute and fractional values. For the same power and credit, which enables a government to support the inconvertible paper of an incorporated company, could obviously support one of its own; the paper of the company being, in substance, the paper of the government. The Bank of England paper, during the war, was really the paper of the British government; and it presented this anomaly; that the company derived nearly the whole profit of this machine of circulation, for which the nation found the whole credit: for it must not be forgotten, that the Bank was all the while receiving interest from the nation upon its whole capital, in its character of stock-holder. It may deserve serious consideration, whether, in the present condition of British finance, the profit upon a national paper-agent of circulation might not operate as a partial relief from the pressure of its burthens. T.

stock-jobbing, that is to say, the making of a profit by the rise and fall of their price, they are productive of much mischief; in the first place, by the unproductive employment on this object of the agent of circulation, money, which is an item of the national capital; and, in the next, by procuring a gain to one person by the loss of another; which is the characteristic of all gaming. The occupation of the stock-jobber yields no new or useful product; consequently, having no product of his own to give in exchange, he has no revenue to subsist upon, but what he contrives to make out of the unskilfulness or ill-fortune of gamblers like himself. (*b*)

A national debt has been said to bind the public creditors more firmly to the government, and make them its natural supporters by a sense of common interest; and so it does beyond all doubt. But, as this common interest may attach equally to a bad or a good government, there is just as much chance of its being an injury as a benefit to the nation. If we look at England, we shall see a vast number of well-meaning persons, induced by this motive to uphold the abuses and misgovernment of a wretched administration.

It has been further urged, that a national debt is an index of the public opinion, respecting the degree of credit which the government deserves,

---

(*b*) The distinction between the stock-jobber and the stock-broker is too obvious to need an explanation. T.

and operates as a motive to its good conduct and endeavours to preserve the public opinion, of which such a debt furnishes the index. This cannot be admitted without some qualification. The good conduct of government, in the eyes of the public creditors, consists in the regular payment of their own dividends ; but, in the eyes of the tax-payers, it consists in spending as little as possible. The market-price of stock does, indeed, furnish a tolerable index of the former kind of good conduct, but not of the latter. Perhaps it would be no exaggeration to say, that the punctual payment of the dividends, instead of being a sign of good, is in numberless instances a cloak to bad, government ; and, in some countries, a boon for the toleration of frequent and glaring abuses.

Another argument in favor of national debt is, that it affords a prompt investment to capital, which can find no ready and profitable employment, and thus must at any rate prevent its emigration. If it do, so much the worse : it is a bait to tempt capital towards its destruction, leaving the nation burthened with the annual interest, which government must provide. It is far better that the capital should emigrate, as it probably would return sooner or later ; and then its interest for the mean time will be chargeable to foreigners. A national debt of moderate amount, the capital of which should have been well and judiciously expended in useful works, might indeed be attended with the advantage of providing an investment for minute portions of capital, in the hands of persons

incapable of turning them to account, who would probably keep them locked up, or spend them by dribblets, but for the convenience of such an investment. This is perhaps the sole benefit of a national debt; and even this is attended with some danger; inasmuch as it enables a government to squander the national savings. For, unless the principal be spent upon objects of permanent public benefit, as on roads, canals, or the like, it were better for the public, that the capital should remain inactive, or concealed; since, if the public lost the use of it, at least it would not have to pay the interest.

Thus, it may be expedient to borrow, when capital must be spent by a government, having nothing but the usufruct at its command; but we are not to imagine, that, by the act of borrowing, the public prosperity can be advanced. The borrower, whether a sovereign, or an individual, incurs an annual charge upon his revenue, besides impoverishing himself to the full amount of the principal, if it be consumed; and nations never borrow but with a view to consume outright.

## SECT. II.

*Of public Credit, its Basis, and the Circumstances that endanger its Solidity.*

PUBLIC credit is the confidence of individuals in the engagements of the ruling power, or govern-

ment. This credit is at the extreme point of elevation, when the public creditor gets no higher interest, than he would by lending on the best private securities (*c*); which is a clear proof, that the lenders require no premium of insurance to cover the extra risk they incur, and that in their estimation there is no such extra risk. Public credit never reaches this elevation, except where the government is so constituted, as to find great difficulty in breaking its engagements; and where, moreover, its resources are known to be equal to its wants; for which latter reason, public credit is never very high, unless where the financial accounts of the nation are subject to general publicity.

Where the public authority is vested in a single individual, it is next to impossible, that public credit should be very extensive; for there is no security, beyond the pleasure and good faith of the monarch. When the authority resides in the people, or its representatives, there is the further security of a personal interest in the people themselves, who are creditors in their individual, and debtors in their aggregate, character; and, therefore, cannot receive in the former, without paying in the latter. This circumstance alone would lead

---

(*c*). Not so; public credit may be substantial enough to borrow at a rate considerably lower, than individual credit of the best description; as it does and has for some time done in England, both on the fixed and floating debt. The reason will appear *infra*. T.



us to presume, that now, when great undertakings are so costly as to be effected by borrowing alone, representative governments will acquire a marked preponderance in the scale of national power, simply on account of their superior financial resources, without reference to any other circumstance.

In one light, the obligations of government inspire more confidence than those of individuals; that is to say, by the greater solidity of its resources. The resources of the most responsible individual may fail suddenly and totally, or at least to such an extent, as to disable him from performing his engagements. Numerous commercial failures, political or natural calamities, litigation, fraud or violence, may ruin him entirely; but the supplies of a government are derived from such various quarters, that the individual calamities of its subjects can operate but partially upon the revenue of the state. There is also another thing, that facilitates the borrowing of government even more than the credit it is fairly entitled to; and that is, the great facility of transfer presented to the stock-holder. Public creditors always reckon upon the possibility of withdrawing by the sale of their debentures, before the occurrence of embarrassment or bankruptcy; and, even where they contemplate such a risk, generally consider some advance of the rate of interest a sufficient premium of insurance against it.

Moreover, it is observable, that the sentiments of lenders, and indeed of mankind upon all oc-

casions, are more powerfully operated upon by the impressions of the moment, than by any other motive ; experience of the past must be very recent, and the prospect of the future very near, to have any sensible effect. The monstrous breach of faith on the part of the French government in 1721, in regard to its paper-money and the Mississippi shareholders, did not prevent the ready negotiation of a loan of 200,000,000 *liv.* in 1759 ; nor did the bankrupt measures of the Abbé Terrai, in 1772, prevent the negotiation of fresh loans in 1778, and every subsequent year.

In other points of view, the credit of individuals is better founded than that of the government. There is no compulsory process against the latter, for the breach of its engagements ; nor do governments ever husband the national resources with nearly the care and attention of individuals. Besides, in the event of external or internal subversion, individuals may withdraw their property from the wreck much better than governments can.

Public credit affords such facilities to public prodigality, that many political writers have regarded it as fatal to national prosperity. For, say they, when governments feel themselves strong in the ability to borrow, they are too apt to intermeddle in every political arrangement, and to conceive gigantic projects, that lead sometimes to disgrace, sometimes to glory, but always to a state of financial exhaustion ; to make war themselves, and stir up others to do the like ; to subsidize every mercenary agent, and deal in the blood and the

consciences of mankind; making capital, which should be the fruit of industry and virtue, the prize of ambition, pride, and wickedness.

A nation, which has the power to borrow, and yet is in a state of political feebleness, will be exposed to the requisitions of its more powerful neighbours. It must subsidize them in its defence; must purchase peace; must pay for the toleration of its independence, which it generally loses after all; or perhaps must lend, with the certain prospect of never being repaid.

These are by no means hypothetical cases: but the reader is left to make the application himself.

By the establishment of sinking-funds, well ordered governments have found means to extinguish and discharge their unredeemable debt. The constant operation of this contrivance contributes more than any thing else to the consolidation of public credit. The mode of proceeding is simply this.

Suppose that the state borrows 100 millions, at an interest of 5 per cent.: to pay that interest, it must appropriate a portion of the national revenue to the amount of 5 millions. For this purpose, it usually imposes a tax calculated to produce this sum annually. If the tax be made to produce somewhat more, say 5,462,400 *fr.*, and the surplus of 462,400 *fr.* be thrown into a particular fund, and laid out annually, in the purchase of government debentures to that amount in the market

and if, moreover, in addition to this surplus, the interest likewise upon the debt thus extinguished be annually employed in such purchases, the whole principal debt will be extinguished at the end of fifty years. This is the mode in which a sinking-fund operates. The efficacy of this expedient depends upon the progressive power of compound interest; that is to say, the gradual augmentation of the interest of capital, by the addition of interest upon the arrears of interest, reckoned from certain stated rests.

It is obvious, that, by an annual instalment of not more than 10 per cent. upon its own interest, the principal of a debt bearing an interest of 5 per cent. may be extinguished in less than 50 years. However, the sale of the debentures being voluntary, if the holders will not sell at par, that is to say, at 20 years' purchase, the redemption in this way will take somewhat longer time; but this very state of the market will be a convincing proof of the high ratio of national credit. On the other hand, if the credit decline, so that the same sum will purchase a larger amount of debentures, the extinction of the debt will be effected in a shorter period. So that, the lower public credit falls, the more powerful is the operation of a sinking-fund to revive it; and that fund grows less efficient, exactly in proportion as it becomes less requisite.

To the establishment of such a fund, has the long-continued public credit of Great Britain been attributed, and her ability still to go on borrowing,

in spite of a present debt of more than 19 milliards of our money.\* And doubtless this it is, that has made Smith declare sinking-funds, which were contrived expressly to reduce national debt, the main instruments of their increase. Had not governments the happy knack of abusing resources of every kind, they would soon grow too rich and powerful.

A sinking-fund is a complete delusion, whenever a government continues borrowing on one hand, as much as it redeems on the other; and, *a fortiori*, when it borrows more than it redeems, as England has constantly done, since the year 1793 to the present time. Whencesoever the amount of the sinking-fund be derived, whether it be merely the product of a fresh tax, or that product, augmented by the interest on the extinguished debt, if the government borrow a million for every million of debt that it pays off, it creates an annual charge of precisely the same amount as that extinguished: it is precisely the same thing, as lending to itself the million devoted to the purpose of redemption. Indeed, the latter course would save the expense of the operation. This position has been fully established in an excellent

\* Vansittart, the chancellor of the exchequer in England, in a speech delivered in parliament, in the month of February, 1815, states it at 650 millions sterling only, which is but from 15 to 16 milliards: but this estimate is taken at the loan, and not at the redemption, price. *Vide, de l'Angleterre, et des Anglais, par J. B. Say, Paris, 1816. 3d edit. p. 13.*

work, by Professor Hamilton\*, which is quite conclusive upon the subject. The enormous burthens of the people of England, the scandalous abuse its government has made of the power of borrowing, and her substitution of paper-money in place of specie (*d*), will have produced some benefit at least; inasmuch as they have assisted the solution of many problems, highly interesting to the happiness of nations, and given warning to all future generations, to beware of the like excesses.

It must be evident, that the grand requisite to the efficiency of a sinking-fund is, the punctual and inviolable application of the sums appropriated to the purpose of redemption. Yet this has never been rigidly adhered to, even in England, where consistency and good faith to the creditors are a point of honor with the government. So that English writers put no faith in the extinction of

---

\* *On the National Debt of Great Britain*, 8vo. Edinburgh, 1813.

(*d*) This is not universally an evil or an error of policy, as the reader will have collected from the notes *suprà*, *passim*. It is a powerful expedient, capable of being turned to good or ill, like all other public expedients. In England, it has been grossly mismanaged; not by the bank, but by the masters of the bank, the ministers, with the sanction and connivance of the parliament: and this abuse of management has brought its useful properties into doubt, with, perhaps, a majority of the intelligent public. But it is hardly fair to charge upon the instrument itself, the mischief occasioned solely by the awkwardness and ignorance of the hands that employ it. T.

the debt by the operation of the sinking-fund: nay, Smith makes no scruple of declaring, that national debts have never been extinguished, except by national bankruptcy.

It has been sometimes a matter of speculation, to enquire into the effect of a national bankruptcy upon the relative condition of individuals, and the internal economy of the nation. In ordinary cases, when a government commits an act of bankruptcy, it adds to the revenues of the tax-payers the whole amount, that it discontinues paying to the public creditors. Nay, it goes somewhat further: for it remits likewise the charges of collection and management of the revenue and the debt. A nation burthened with 100 millions of annual interest on its debt, whereon the charges above-mentioned should amount to 30 per cent. \* more, might by a bankruptcy remit to the tax-payers 130 millions, while it stript its creditors of 100 millions only.

In England, the effect would be more complicated; because she does not pay the dividends on her debt wholly out of the annual proceeds of taxation; at least, not at the moment of my writing; but annually borrows a sum nearly equal to the interest of her debt.† Were she to commit

\* In England and the United States they are not nearly so high in proportion: but the ratio is even higher in some states that shall be nameless.

† Colquhoun, *Wealth, Power, and Resources of the British Empire*, 4to. London, 1814. Stokes, *Revenue and Expenditure of Great Britain*, London, 1815. Should a continuance of  
peace

an act of bankruptcy, the annual loans of 40 millions sterling, more or less, would be withdrawn from unproductive consumption by the public creditors, and be applicable to the purposes of re-productive consumption : for it may fairly be supposed, that the capitalists, who accumulate and lend to the state, would look out for some profitable investment. In this point of view, the operation would tend vastly to the increase of the national capital and revenue : but the execution would be attended with very disastrous immediate consequences : for this annual amount of 40 millions would be withdrawn from a class of consumers, who have no other means of subsistence, and would be utterly unable to make good their losses in any other way, for want both of personal industry, and of the command of capital.

A bankruptcy would probably obviate the necessity of fresh loans : but would not release an atom of the former taxation, where the interest of the

peace enable her to square her income with her annual expenditure, inclusive of the interest on her debt (*e*), it would still afford no relief, but merely arrest the further progress of the evil.

---

(*e*) This has been partially effected ; but probably the obstinate determination to persist in the needless experiment of reverting to a metallic agent of transfer, instead of studying to remedy the defects of the paper agent, will still further reduce the scale of money-price, cripple the means of the taxpayers and productive classes, and precipitate the calamitous alternative of a still more grievous taxation, or a partial national bankruptcy. T.



debt is habitually paid, not with the proceeds of taxation, but with new loans. Thus, the burthens of the people would not be alleviated\*, nor the charges of production reduced: consequently, there would be no sensible reduction in the price of commodities; nor would British products find a readier market either at home or abroad.

The classes liable to taxation would be diminished in numerical strength by the whole of the suppressed stock-holders; and taxation less productive, although not lowered in its ratio. The 40 millions of revenue, withdrawn from the public creditors, would pay taxes only upon the annual profit or revenue, they might yield in the character of productive capital. (*f*) The ruin of the

---

\* Economy in the national expenditure is the only thing that can mitigate the pressure of taxation upon the British nation; yet, were economy enforced, how is that system of corruption to be upheld, through which the interest of the minister of the day regularly prevails over that of the nation?

---

(*f*) That is to say, upon nearly the whole amount; for the whole must either be consumed unproductively by the *ci-devant* lenders, or embarked in productive enterprizes; in which latter case, it will go almost wholly towards the revenue of human agency, in all those countries, where the appropriable natural agents are already wholly appropriated. Thus, in a financial point of view, it is of little immediate consequence, whether the sum be borrowed and expended by the state, or by its creditors; for it is sure to go almost wholly to the formation of private and taxable revenue. Nay, its payment to the creditors is probably the destination, that will, of all others, least expose it to indirect taxation; for stock-holders are commonly amongst the most frugal of the members of a community

public creditors would be attended with abundance of collateral distress; with private failures and insolvency without end; with the loss of employment to all their tradesmen and servants, and the utter destitution of all their dependents.

On the other hand, if she persevere in borrowing to pay the interests of former loans, that interest, and with it taxation also, must go on increasing to infinity. It is impossible to avoid a precipice, when one follows a road that leads nowhere else. (*g*)

---

nity; and it is notoriously to them, that the government looks for a very considerable part of the loans it may have occasion to negotiate; and herein theory is confounded by experience. The cessation of loans in Great Britain, consequent upon the reduction of 40 millions of expenditure, has made little reduction in the proceeds of indirect taxation. But the remote consequence will be widely different. If the sum be unproductively expended, it will no-wise expand the national productive power, yet leave that power burthened with its future interest; if expended productively, it will expand productive power, and entail no additional pressure upon its elasticity. T.

(*g*) The momentous question of national bankruptcy is treated by our author with much less attention, than it deserves. He has told us, neither in what cases it is just, nor in what cases it is necessary, nor by what means it can be effected, with the smallest degree of individual hardship, and national confusion and embarrassment. It must be obvious, that it may be either partial or total, sudden or gradual; and that there are a variety of ways of effecting it, whereof some must be far less objectionable than others; as for instance, by extinction of principal, or by the sponge, as it is termed; by extinction or reduction of interest only; by lowering the weight or quality of a national metallic-money; by depreciating a national paper-money by its excessive issue; by taxation of principal or of interest of the debt, &c. &c.: all which expedients it would be impossible to canvass in the narrow limits of a note. T.

The potentates of Asia, and all sovereigns, who have no hopes of establishing a credit, have recourse to the accumulation of treasure. Treasure is the reserve of past, whereas a loan is the anticipation of future, revenue. They are both serviceable expedients in cases of emergency. (*h*)

A treasure does not always contribute to the political security of its possessors. It rather invites attack, and very seldom is faithfully applied to the purpose, for which it was destined. The accumulations of Charles V. of France fell into the hands of his brother, the duke of Anjou; those which pope Paul II. destined to oppose the Turkish arms, and drive them out of Europe, supplied the extravagancies of Sixtus IV., and his nephews. The treasures amassed by Henry IV., for the humiliation of the house of Austria, were lavished upon the favorites of the queen-mother; and, at a later period, we have seen the political power of Prussia brought into imminent hazard by those very savings, which were destined by Frederic II. to its consolidation.

The command of a large sum is a dangerous temptation to a national administration. Though

---

(*h*) The hoarding of national specie by the prince or public authority may be highly injurious to the productive classes, in the way, and for the reason, above stated; viz. by reduction of the scale of money-price, which must be injurious to the productive classes, and that in proportion as the operation of credit, public and private, is, or has been, extensive. T.

accumulated at their expense, the people rarely, if ever, profit by it ; yet, in point of fact, all value, and, consequently, all wealth, originates with the people.

---

# APPENDIX A.

A TABLE, SHEWING THE RESULT OF VALUE LENT TO THE STATE.

I. yielding	revenue	consumable by the proprietor himself.
II. yielding	nothing; being lent to, and consumed by the state.	
III. yielding	revenue	transferred to, and consumable by, the lenders of Portion II.
IV. yielding	revenue	applicable to any purpose.

these three portions yield but two of revenue; portion II. being absolutely extinct.

Grand Total of National Means, whence all Revenue is derivable; consisting of the Total Natural Agency, Capital, and Industry at the Command of the Nation; divided into four equal Portions, whereof respectively each Individual is supposed to possess a share, proportionate to his Wealth. Of this stock, the only part applicable to the purpose of a National Loan is, the transferable or floating value, capable of acting as capital.

## APPENDIX B.

Total Net Revenue of the United Kingdom of Great Britain  
and Ireland, in the Year ending 5th January, 1821.

	England.	Ireland.	United Kingdom.
<i>Permanent.</i>			
Customs - - -	£5,716,520	£1,202,380	£6,918,900
Excise - - -	23,678,939	1,564,651	25,243,590
Stamps - - -	6,151,347	407,403	6,558,750
Post-Office -	1,350,186	59,077	1,409,263
Assessed Taxes	6,311,346	264,570	6,575,916
Land Tax - -	1,192,257		1,192,257
Miscellaneous -	293,938	107,365	401,303
Total Perm. -	44,694,533		
Hereditary - -	78,135		78,135
Annual - - -	3,043,589		3,043,589
War-Excise - -	2,518,223		2,518,223
Grand Total -	<u>£50,334,480</u>	<u>£3,605,446</u>	<u>£53,939,926</u>

Exclusive of charge of Collection, amounting, in 1820, to £8 1s. 9<sup>1</sup>/<sub>2</sub>d. per cent. on the net, and £7 0s. 1<sup>3</sup>/<sub>4</sub>d. per cent. on the gross, receipt for the U. K., and to £5 19s. per cent., for G. B.

## APPENDIX C.

Total Amount of the Unredeemed Funded Debt of the United Kingdom of Great Britain and Ireland, on the 5th Jan. 1821. Also of Unfunded ditto, at the same Date; with Interest thereon respectively.

	Funded Debt.	Interest.	Total Ann. Charge.
England	£775,844,464	£26,970,064	
Ireland (Bh. cur.)	25,720,845	1,094,657	
	<hr/>		
	£801,565,309		£28,064,721
	<hr/>		
	Unfunded Do.	Interest at Four per Cent.	
England - -	£32,428,691	£1,302,947	
Ireland - - -	2,300,000	87,000	
	<hr/>		
Total -	£34,728,691 *		1,389,947
	Annual charge of Management } on Funded Debt - - - }		276,527
		Total - -	<hr/>
			£29,667,195
			<hr/>

\* This is taken at the lowest returns of the year; and probably ten millions more on the average, unless the funded debt be increased to that amount.

## APPENDIX D.

Total Net Revenue of France for the Year 1821, as per  
Estimate of the Minister of Finance.

		<i>Francs.</i>
<i>Impôts Directes.</i>	{ <i>Contributions foncières</i> - -	230,224,952
	{ <i>Do. mobilières, patentes, &amp;c.</i> -	81,229,075
	{ <i>Registration</i> - - - - -	150,500,500
	{ <i>Forêts</i> - - - - -	18,500,000
- - - <i>Indirectes,</i>	{ <i>Douanes, &amp;c.</i> - - - - -	191,000,000
	{ <i>Poste</i> - - - - -	24,310,000
	{ <i>Loterie</i> - - - - -	15,000,000
<i>Miscellaneous, not specified</i> - - - - -		177,257,212
Total -		Frs. 888,021,745



## APPENDIX E.

A Table shewing the comparative Condition of Great Britain, France, and the United States, in respect to Population, Debt, and Taxation, at the close of the Year 1820.

	Population.	Debt.	Interest.	Public Revenue.
Britain	17,000,000	£ 836,294,000	£ 29,454,668	£ 53,939,926*
France	29,000,000	<i>Frs.</i> 3,821,055,280	<i>Frs.</i> 191,052,764	<i>Frs.</i> 888,021,745†
America	10,000,000	<i>Drs.</i> 91,993,883	<i>Drs.</i> 4,599,690	<i>Drs.</i> 16,550,000‡

\* Exclusive of county and local charges; of which the Population of Great Britain and of Ireland are burthened respectively in the ratio exhibited in App. B. The productive Classes of England are further charged with eight millions sterling in the shape of Poor-Rates.

† Exclusive of local Charges

‡ Exclusive of the local taxation of the respective States of the Union; and levied wholly by external taxation and sale of lands.

THE END.

Printed by A. and R. Spottiswoode,  
Printers-Street, London.









**University of Toronto  
Library**

---

**DO NOT  
REMOVE  
THE  
CARD  
FROM  
THIS  
POCKET**

---

**Acme Library Card Pocket  
LOWE-MARTIN CO. LIMITED**

